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(Washington, D.C., 1934)

THE DEPARTMENT, MANUFACTURING AGREEMENTS, CODES, REGULATIONS  
AND PROCEEDINGS FOR MATTERS

of the  
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Arranged by the  
Office of the Chief Hearing Clerk  
Agricultural Adjustment Administration  
Department of Agriculture

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The Joint Committee on Materials for Research  
of the  
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(Washington, D.C., 1934)

THE PROPOSED MARKETING AGREEMENT, PURE MILK ASSOCIATION  
AND CHICAGO MILK DEALERS' ASSOCIATION

of the  
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Arranged by the  
Office of the Chief Hearing Clerk  
Agricultural Adjustment Administration  
Department of Agriculture

File No. 1, Docket No. 1

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The Joint Committee on Materials for Research  
of the  
American Council of Learned Societies  
and the  
Social Science Research Council  
Washington, D. C., 1934

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION

HEARING ON

PROPOSED MARKETING AGREEMENT UNDER  
THE PURE MILK ASSOCIATION, THE MILK  
COUNCIL, INC., AND THE CHICAGO MILK  
DEALERS' ASSOCIATION HAVE REQUESTED  
THE SECRETARY OF AGRICULTURE TO ENTER  
INTO PURSUANT TO SECTION 9, SUBSEC-  
TION (2) OF THE AGRICULTURAL ADJUST-  
MENT ACT.

JUNE 5, 1935.

FIRST DAY

EARL W. COOPER  
311 Columbian Bldg.  
WASHINGTON, D. C.

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FIRST DAY.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION

HEARING ON PROPOSED MARKETING AGREEMENT WHICH THE  
PURE MILK ASSOCIATION, THE MILK COUNCIL, INC., AND  
THE CHICAGO MILK DEALERS' ASSOCIATION HAVE REQUESTED  
THE SECRETARY OF AGRICULTURE TO ENTER INTO PUR-  
SUANT TO SECTION 8, SUB-SECTION (2) OF THE AGRI-  
CULTURAL ADJUSTMENT ACT.

Washington, D. C.,  
Room 2050, South Building,  
Department of Agriculture,  
Monday, June 5, 1933.

The hearing in the above matter came on at 9:30 o'clock  
A.M., before Mr. Thomas G. Shearman, Presiding Officer.

PRESENT:

MR. CHARLES WHAND, Co-Administrates,  
MR. A. HISS, Hearing Clerk.

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The notice of hearing is as follows:

"UNITED STATES DEPARTMENT OF AGRICULTURE  
"AGRICULTURAL ADJUSTMENT ADMINISTRATION

"NOTICE OF HEARING WITH REFERENCE TO A PROPOSED MARKETING  
AGREEMENT

"Under Title I of the Act entitled 'An Act to relieve  
the national economic emergency by increasing agricultural  
marketing power, to raise revenue for extraordinary ex-  
penses incurred by reason of such emergency, to provide emer-  
gency relief with respect to agricultural indebtedness, to  
provide for the orderly liquidation of joint-stock land  
banks, and for other purposes,' approved May 12, 1933,

"NOTICE IS HEREBY GIVEN of a hearing to be held in  
Room 2050, South Building, Department of Agriculture, 14th  
and B Streets, S. W., Washington, D. C., on June 5, 1933,  
at 9:30 a.m., at which interested parties may be heard, with  
reference to a proposed marketing agreement which the Pure  
Milk Association, The Milk Council, Inc., and the Chicago  
Milk Dealers Association have requested the Secretary of  
Agriculture to enter into pursuant to Section 8, subsection  
(2) of said Act. The proposed agreement relates to prices,  
practices and conditions in the marketing of fluid milk for  
consumption in the Chicago Metropolitan Area, and is now on  
file and available for public inspection at the Office of  
the Secretary of Agriculture. Copies of said proposed agree-

ment may be secured at the office of the Hearing Clerk,  
Department of Agriculture, Administration Building, Washing-  
ton, D.C.

"It is hereby declared that an emergency exists in the  
conditions governing the marketing of fluid milk for consump-  
tion in the Chicago Metropolitan Area and requires a shorter  
period of notice than ten days, and it is hereby determined  
that the period of notice given hereby is reasonable in the  
circumstances.

"Signed) Henry A. Wallace,  
Secretary of Agriculture.

"Dated: May 29, 1933  
Washington, D. C."

THE DESIGNATION AND APPOINTMENT OF THE PRESIDING OFFICER  
FOR THE HEARING IS AS FOLLOWS:

"UNITED STATES DEPARTMENT OF AGRICULTURE

"AGRICULTURAL ADJUSTMENT ADMINISTRATION

"DESIGNATION AND APPOINTMENT OF

"PRESIDING OFFICER

"In accordance with Section 204 of the General Rules and  
Regulations, Series 1, of the United States Department of  
Agriculture, Agricultural Adjustment Administration, here-  
by designate and appoint Thomas O. Shearman as Presiding  
Officer to conduct in accordance with said regulations a  
hearing to be held as provided in the notice of hearing

dated May 29, 1933, on June 5, 1933, and thereafter until  
concluded, upon the proposed marketing agreement which the  
Pure Milk Association, The Milk Council, Inc., and the  
Chicago Milk Dealers Association have requested the Secretary  
of Agriculture to enter into pursuant to Section 8, subsec-  
tion (2) of the Act entitled "An Act to relieve the existing  
national economic emergency by increasing agricultural pur-  
chasing power, to raise revenue for extraordinary expenses in-  
curred by reason of such emergency, to provide emergency re-  
lief with respect to agricultural indebtedness, to provide  
for orderly liquidation of joint-stock land banks, and for  
other purposes" approved May 12, 1933.

"In testimony whereof I have here-  
unto set my hand and caused the  
official seal of the Department of  
Agriculture to be affixed in the  
City of Washington this 3rd day of  
June, 1933.

"Signed) Henry A. Wallace.  
Secretary of Agriculture."

#### PROCEEDINGS

MR. SHEARMAN: Gentlemen, I think we are ready to begin.  
The opening or introductory remarks will be made by Mr. Charles  
Erard, who is Co-Administrator of the Agricultural Adjustment  
Administration. Mr. Erard.

MR. ERARD: I am very glad to greet this group. I rather  
thought that we were going to have a larger Chicago group,  
but I see numerous faces from other places represented. You  
are all welcome, and I suppose you have a definite interest  
in seeing how the first formal hearing under the Agricultural  
Adjustment Act is going to be conducted and what types of  
information it is going to develop with respect to the fluid  
milk industry. Obviously, that is a wholly proper curiosity.

I took it upon myself yesterday to look up some of the  
facts relating to the milk industry, and although I long had  
been familiar with its importance, I must confess that it  
re-emphasized the situation to me. So, I thought it appropriate  
at this first hearing to address a few remarks to this group  
on the importance of the industry because ultimately we have  
got to treat not only the component parts of the industry, or  
treat with the component parts of the industry with respect  
to trade agreement methods of competition, and so forth, but  
we have got to treat with the industry as a whole.

It is my conception that there are certain phases of the  
matter that are possible to be dealt with as governing



all parts of the industry, and then, under that, that each separate component will have problems peculiar to it that should be dealt with in conferences similar to this. And, of course this represents a further readjustment, you might say, because this represents and involves the milk problem of the great metropolitan area of Chicago, which receives a large part of its fluid milk in the course of interstate commerce.

The problems of the wheat and hog and cotton and corn and other farm producers have been so insistent in their claim upon the public's attention during recent years that I think, except for those who were engaged in the milk industry, the public have rather lost sight of its grave importance. This, of course, is due to a variety of perfectly understandable factors.

Nevertheless, the milk situation is very important, and since November, 1929, has forced itself upon public attention in a way that could not be gainsaid. The factors that have brought about this public attention include, of course, loss of purchasing power on the part of consumers, disastrous recessions in prices paid to producers, the existence of bad trade practices with resultant destructive competition, in the industry itself, and no doubt to some degree to the relative fixity of distribution costs which have tended to claim too large a part of the consumers' total price.

particularly as these prices have receded.

Dairy animals and dairy products are of extraordinary importance, both to producers and to consumers.

In 1929, there were 21,124,000 milch cows and heifers on our farms; by 1932, according to the information gleaned from a Department report, the number had increased to more than 24,380,000. In the same period, there was a drop in the average value per head. In other words, in the face of a declining market, there was a very large increase in milk cow population. The average value per cow dropped from \$44 per head in 1929, to somewhat less than \$40 in 1932, and I just this morning looked up the figure for May 15, 1933, and the reported average value was \$32 per head. This was a drop since 1929 from \$44 per cow, to \$32 per cow.

I think that pictures very sufficiently the problem of the dairy producer. I have not been able to look up the concomitant drop in the price of milk, but I have no doubt it accords somewhat with the drop in the price of the value of the animal.

The last census showed a milk production estimated at 11,052,000,000 gallons. Of this total, nearly 4,456,000,000 or 40 per cent, was sold in the form of fluid milk.

About 4,615,000 out of a total of 6,288,648 reported the production of milk.

The total value of dairy products sold by farmers was \$1,657,640,000. This was made up as follows: Fluid milk, \$1,036,650,000; butter fat, \$538,795,000; cream, \$26,139,000; and butter, \$56,056,000, -- obviously from the standpoint of the producer, an industry of extraordinary importance.

On the processing side, there were 9,970 factories producing milk products in 1929. The total value of their output was nearly \$1,572,000,000. The approximate value of the chief products was as follows: butter, \$705,000,000; cream, \$103,000,000; condensed, evaporated and powdered milk, \$210,000,000; ice cream in various forms, \$528,000,000; miscellaneous (cottage cheese, casein, etc.), \$26,000,000 -- these are approximate figures.

The Census of Distribution showed that in 1929 at least 33,251 assemblers and dealers were engaged in various phases of dairy products distribution. They specifically reported sales totaling \$2,105,936,000. In addition, there was a large number of enterprisers who handled dairy products, but who did not, or probably could not, by reason of not keeping such figures, report dairy products sales separately.

From this brief review of the dairy industry it is apparent that we are dealing with a group of farm products of major importance to the national welfare, and this applies both as to money value and as to health. In view of these facts it is perhaps not inappropriate that the first formal

hearing under a new and profoundly important agricultural statute should relate to fluid milk. In due time trade agreements as to this product must be doubt be articulated with those emanating from the dairy products manufacturing industries. In other words, to an appropriate extent, the dairy industry must not only be treated as to its individual components but as a whole. The specific and definite purpose of the Agricultural Adjustment Act and its Administrators is to increase the net income of American farmers, with a view to contributing to a return of national prosperity by increasing the purchasing power of more than 50,000,000 people dependent directly and indirectly upon agriculture. This purpose is to be achieved as far as possible without unduly and disproportionately burdening the consumer.

In plain language, it is our duty under the law to make milk production pay the farmer better, to get milk to the consumer without excessive increase in price, and to see that the distribution system does not collect more for its services than it is entitled to receive. This of course imposes an incident responsibility for seeing as far as possible that it does not receive less than proper compensation. Fairness to the consumer and the distributor will be our constant purpose, but not at the expense of the producer, though he too must increase his efficiency wherever possible.

You are all familiar, no doubt, with the provisions of

the Act itself. Section 8, Subdivision (2) of the Act, provides that the Secretary may enter into marketing agreements after due notice and opportunity for hearing to interested parties. You are here pursuant to notice of such a public hearing, to consider the problems of the fluid milk industry of the metropolitan area of Chicago.

The Secretary has made no decision, tentative or otherwise, as to the advisability of the marketing agreement that has been submitted from the Chicago district, or of any of its specific provisions, nor have the Administrators of the Agricultural Adjustment Administration made any such tentative decision as to what recommendation the Administration will make in regard to this problem.

The rules and regulations governing hearings on marketing agreements have been issued by the Secretary, with the approval of the President, and I believe that copies of those regulations are here and available to interested parties who wish to have copies. Is that correct, Mr. Secretary?

THE HEARING CLERK: I think they all have copies.

MR. BRAND: In general, they cover the call for meeting and the procedure as to specific matters, and they provide for the exercise of discretion by the Presiding Officer. Under these regulations, the Secretary has designated Mr. Thomas G. Shearman, of our Departmental Legal Staff, to act as the Presiding Officer of this hearing. Mr. Nise, you

have been designated as the Hearing Clerk.

At the appropriate place in the record, I have no doubt the Presiding Officer will see that the suitable documents are read into the record, in order that it may be complete in every respect.

I regret to say that a rice conference and also a tobacco conference will make it impossible for me to sit with you in this hearing, as I would like to, for my own education, not only on the main phase of the problem, but that I might learn more in detail about the problems of the great metropolitan area drawing its supplies both from interstate commerce and intra-state resources. However, that is impossible because of other meetings that I must attend immediately.

I therefore take pleasure in discontinuing these remarks, that were made with the true purpose of emphasizing in this first record the extraordinary importance of the milk industry as a whole, and surrender to Mr. Shearman.

THE PRESIDING OFFICER: Ladies and Gentlemen, as Mr. Brand has already stated to you, this hearing is called by the Secretary to enable him to consider properly the proposed agreement, the marketing agreement, which has been submitted by certain parties in Chicago who are engaged in the milk business. This agreement relates to the prices and the practices and the conditions that are involved in the distribution of fluid milk in that area.



The purpose of the hearing is to place in the record existing pertinent facts with reference to the handling of fluid milk in the Chicago metropolitan area which is current in interstate and foreign commerce. The Secretary wants these facts in order that he may determine whether or not he is justified under the power given to him by Congress in entering into this agreement.

I would like to emphasize, and I cannot do it too strongly, as to the position of the Department that the testimony that is wanted at this hearing is testimony as to facts. Arguments as to legal phases of this matter which may appear to be, and which undoubtedly will be germane from time to time, are not to be submitted by oral testimony, but are to be reduced to written memoranda or briefs, and filed in triplicate with the Hearing Clerk, either during the hearing or within twenty-four hours after the close thereof. If any such memoranda or briefs are filed, they will be available for examination by interested parties, and a further period of twenty-four hours will be accorded to those who want to file rebuttal memoranda or briefs with the Department. I know that seems a short time, but we all must realize that if the Secretary is to act, he must act promptly. If he is to act promptly, that information should be given promptly, and so we must ask everybody not only to cooperate in that matter of preparing and submitting of written statements, but that

those who will testify here be as brief as possible and to the point.

I think it expedient at this time to put in the record the facts which show that the requirements of law have been complied with in calling the meeting at this time:

The Section of the Act has already been referred to by Mr. Brand, as Section 8, Subsection 2. The Secretary has power under this "to enter into marketing agreement with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties."

In Section 10 of the Act,

(c), "The Secretary is authorized, with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this title."

Pursuant to that latter authority, the Secretary has issued, and the President has approved, these rules and regulations, copies of which are available for distribution.

In these regulations, Section 201 provides for the manner in which notice is to be given. There are three subsections, which have been complied with.

Section 202 reads as follows:

"Such notice of hearing shall be given at least ten days prior to the date of hearing set forth in said notice; but if the Secretary shall declare that an emergency requires a shorter period of notice, then the period of notice and the manner of notifying the Governors of the several States and the Executive Heads of the territories and possessions shall be respectively, that which the Secretary shall determine to be reasonable in the circumstances."

Following out that regulation, in the notice of hearing which was issued by the Secretary, the following paragraph is made a part of it:

"It is hereby declared that an emergency exists in the conditions governing the marketing of fluid-milk for consumption in the Chicago Metropolitan Area and requires a shorter period of notice than ten days, and it is hereby determined that the period of notice given hereby is reasonable in the circumstances."

These preliminary requirements having been carried out, it is in point to read Section 206 of the Regulations, and I will read this in its entirety:

"At or before the opening of such hearing, all persons desiring to testify thereat, or to file written statements or written arguments in connection therewith, shall cause their names to be filed with a Hearing Clerk appointed by the Secretary, or by the Presiding Officer, and all persons

not so causing their names to be filed shall not be entitled to be heard or to file written statements or written arguments unless the Presiding Officer, in his discretion, shall permit the later filing of names, in cases in which, in his judgment, the public interest so requires.

We have therefore come to this place where it is in order to have the names of those who wish to testify and who intend to testify inscribed here and file it with the Hearing Clerk, and I would say that, in this connection, it would be most desirable for those who file their names to give their full names, their business address, and the name under which they do business, if it is not the same as the personal name, and also the name of the association or the company which they represent. There will be a short recess for that purpose. I would like to ask how many here have already filed their names?

MR. BRAND: May I make an amendment to the Presiding Officer's request? I would like especially for this first hearing, to have a complete list of the attendance, and I want you to cooperate with me, so that every one will fill out a card for attendance at this first hearing. We would like to have it absolutely complete. I see a gentleman here from the Department of Commerce, and one from the Farm Board, and a great many interests represented here, and I would like to have the record as complete as possible.

(At this point a brief recess was taken, for the purpose of allowing registration of attendance, at the conclusion of which the hearing was continued as follows:)

THE PRESIDING OFFICER: The meeting will come to order, please.

The next order of business, as prescribed by the regulations, is the reading of the agreement. This marketing agreement, the regulations say, shall be read without argument or comment, and I will ask the Hearing Clerk to read the agreement.

THE HEARING CLERK: This agreement has been proposed by the Milk Council, Inc., by the Chicago Milk Dealers Association, and by the Pure Milk Association, and has by them been filed with the Secretary with the request that he call a public hearing and that he enter into that agreement after considering the facts brought out at the hearing. The agreement is as follows:

#### "DEFINITIONS"

As used in this agreement, the following words and phrases shall be defined as follows:

- a. 'Contracting Producers' means and includes the Pure Milk Association, and such other producers and associations of producers of 'fluid milk' sold or consumed in the 'Chicago Metropolitan Area' as may become parties signatory to this agreement according to the terms thereof.
- b. 'Contracting Distributors' means and includes members of the Milk Council, Inc., and members of the Chicago Milk Dealers Association, and such distributors and/or processors of 'fluid milk' in the Chicago Metropolitan Area as may become parties signatory to this agreement according to the terms thereof.
- c. 'Fluid Milk' means and includes fluid milk and fluid cream, and such fluid derivatives thereof as are sold by 'contracting distributors' in the 'Chicago Metropolitan Area.'
- d. 'Chicago Metropolitan Area' means and includes the city of Chicago, Illinois, and the territory lying within 35 miles distant, air-line, from the nearest point marking the corporate limits of the city of Chicago.
- e. 'Secretary' means the Secretary of Agriculture of the United States.
- f. 'Act' means the Act of Congress entitled 'An Act to relieve the existing national economic emergency by increasing



ing agricultural purchasing power, to waive retentions for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes', approved May 12, 1933.

THE PARTIES to this agreement are the 'contracting producers', parties of the first part, the 'contracting distributors', parties of the second part, and the 'Secretary', party of the third part.

WHEREAS, pursuant to the 'Act', the parties hereto, for the purpose of correcting the conditions now obtaining in the marketing of 'fluid milk' in the 'Chicago Metropolitan Area', desire to enter into a marketing agreement under the provisions of Section 6 (A) of the 'Act', and

WHEREAS, Pure Milk Association markets more than 75 per cent of the 'fluid milk' distributed and consumed in the 'Chicago Metropolitan Area' and represents that it has corporate power and authority to enter into this agreement, and

WHEREAS, members of Milk Council, Inc., and members of the Chicago Milk Dealers Association distribute more than 75 per cent of the 'fluid milk' distributed in the 'Chicago Metropolitan Area', which said 'fluid milk' comprises substantially all of the 'fluid milk' marketed by the Pure Milk Association as aforesaid, and

WHEREAS, the marketing of 'fluid milk' produced for distribution in the 'Chicago Metropolitan Area' and distribution thereof affect and enter into both the current of interstate commerce and current of intrastate commerce, which are inextricably intermingled,

NOW THEREFORE in consideration of the premises the parties hereto agree as follows:

1. The prices at which 'fluid milk' shall be sold by the 'contracting producers' and purchased by the 'contracting distributors' for distribution or consumption in the 'Chicago Metropolitan Area' shall be those set forth in Exhibit 'A' which is attached hereto and made a part hereof. The prices set forth in Exhibit 'A' may be changed by agreement between the 'contracting producers' and the 'contracting distributors' provided, however, that such price changes shall become effective only upon the written approval of the Secretary.

Payments to Milk Foundation, Inc., a non-profit corporation organized and existing under the laws of the State of Illinois, and payments to Pure Milk Association by the members thereof made pursuant to paragraph 4 hereof shall both, respectively, be deemed part of the price paid to producers.

2. The marketing plan governing the marketing of milk which is attached hereto, made a part hereof, and marked 'Exhibit B', shall be binding upon the 'contracting producers' as to all matters therein required on their part to be per-

formed and upon the 'contracting distributors' as to all matters therein required on their part to be performed. Such marketing plan may be modified by agreement between the 'contracting producers' and the 'contracting distributors', provided, however, that such modified marketing plan shall become effective only upon the written approval of the Secretary.

3. The wholesale and retail prices at which 'fluid milk' shall be distributed by the 'contracting distributors' in the 'Chicago Metropolitan Area' shall be those defined and set forth in Exhibit 'C' which is attached hereto and made a part hereof. The prices set forth in Exhibit 'C' may be changed by agreement between the 'contracting producers' and the 'contracting distributors', provided, however, that such price changes shall become effective only upon the written approval of the Secretary.

4. The 'contracting distributors' agree that they will not purchase 'fluid milk' from any producer not a member of the Pure Milk Association unless such producer authorizes the purchasing 'contracting distributor' to pay over to the said Milk Foundation, Inc., the same amount per hundred pounds of milk purchased which the members of the Pure Milk Association are then authorizing the 'contracting distributors' to pay over to the Pure Milk Association on behalf of its members; and said purchasing 'contracting distributor' shall simultaneously with making payment to the producer for 'fluid milk' purchased

make such payment to said Milk Foundation, Inc. The sums so paid shall be kept as a separate fund by said Milk Foundation, Inc., for the purpose of securing to said producers not members of the Pure Milk Association advertising, educational, credit loans and other benefits similar to those which are secured by the members of the Pure Milk Association by virtue of their like payments to said Pure Milk Association. Such Milk Foundation, Inc. shall disburse such funds as directed by the Secretary.

3. All producers of 'fluid milk' whose farms have been inspected by any municipal jurisdiction in the 'Chicago Metropolitan Area', and the marketing of whose milk is not prohibited by the health laws and ordinances applicable to marketing of milk by said Pure Milk Association, shall, as heretofore, be permitted, as far as marketing conditions may allow, to become members of the Pure Milk Association on an equal basis with existing similarly circumstances.

4. The 'contracting producers' and the 'contracting distributors' shall, as and to the extent required by the Secretary, severally maintain systems of accounting which shall be satisfactory to the Secretary and their respective books and records shall be subject to his examination during the usual hours of business and they shall severally from time to time furnish to the Secretary on and in accordance with forms to be supplied by the Department of Agriculture such information as the Secretary may request.

7. The standards governing the production, receiving, transportation, processing, bottling and distribution of 'fluid milk' sold or distributed in the 'Chicago Metropolitan Area' shall be those established by the health ordinances of the city of Chicago.

8. This agreement shall become effective at such time as the Secretary may determine and shall continue in force until the last day of the month following the aforesaid effective date and thereafter from month to month, except that:

(a) The Secretary may (and shall upon the request of either 75 per cent of the 'contracting producers' or 75 per cent of the 'contracting distributors', such percentages to be measured by volume of 'fluid milk' marketed or distributed, respectively) by notice in writing deposited in the registered mail, and addressed to the Pure Milk Association, Milk Council, Inc., and the Chicago Milk Dealers Association, at the respective addresses now on file with the Secretary, on or before the 20th day of any month terminate said contract as of the end of such month.

(b) The Secretary may for good cause shown as of the end of any month terminate this agreement as to any party or parties signatory hereto by notice in writing deposited on or before the 20th day of such month in the registered mails and addressed to such party or parties at the address or addresses of such party or parties on file with the Secretary.

(c) This agreement shall in any event terminate whenever

Title I of the Act shall cease to be in effect or whenever the President or Congress shall terminate those provisions of the Act which authorize this agreement.

9. The benefits, privileges and immunities conferred by virtue of this agreement shall cease to exist upon the termination of this agreement and the benefits, privileges and immunities conferred by virtue of this agreement upon any party or parties signatory hereto shall cease to exist upon the termination of this agreement as to such party or parties.

IN WITNESS WHEREOF, ETC.

EXHIBIT 'A'

#### PRODUCTION PRICES OF 'FLUID MILK'

Prices paid to producers shall be determined with reference to the 'Rules for Control of Basic Production' (set forth in Exhibit 'B' to this agreement) which set up definite quantities of milk known as 'bases.' In addition thereto there shall be three classes of milk. Class 1 is any amount equal to 90% of the 'bases' of all producers. Class 2 shall be an amount equal to 10% of said 'bases.' Class 3 shall be the additional milk which may be purchased by processors and/or distributors.

The price of Class 1 milk shall be: \$1.75 per cwt. for milk of 3.5% butterfat content subject to a butterfat differential of  $\frac{1}{16}$  per one-tenth of one percent of butterfat content below or above 3.5%. The price of Class 2 milk shall be:



Three and one-half times the price in the Chicago market of 92 score creamery butter sold at wholesale plus 2-1/2 thereof adjusted by the aforesaid butterfat content differential. The price of Class 2 milk shall be: Three and one-half times the price in the Chicago market of 92 score creamery butter sold at wholesale adjusted by the aforesaid butterfat differential, plus 3/4 per cent. of such milk. All prices are f.o.b. country plants, platforms, or loading stations, with, in the case of Class 1 prices, a deduction of 1/4 per cent. for each ten miles or part thereof in excess of 70 miles up to 100 miles from the City Hall of the city of Chicago, and a further 1/4 per cent. deduction for each 15 miles in excess of over 100 miles from the City Hall of Chicago.

Cream for the purposes of this schedule shall be Class 1 milk not actually sold for consumption as milk, and of Class 2 milk and such amounts of Class 3 milk as may be sold as cream; and the prices thereof shall be the same as those quoted for Class 1 and Class 2 and Class 3 milk.

The contracting distributors severally agree to purchase daily a quantity of Class 1 milk computed as follows: For each wagon or truck now operated by each contracting distributor:

- a. 382 1/2 lbs. per such retail wagon or truck
- b. 1,050 lbs. per such wholesale wagon or truck and in addition 10% of the total of such amounts.

All milk delivered in any month shall be paid for not

later than the 15th of the following month.

#### ARTICLE IV

##### Rules for Control of Basic Production

For the purposes of this agreement, the term 'base' as used in respect to any producer, farm or herd, as the case may be, shall be the quantity of milk recorded as such in the files of Pure Milk Association; except that in respect to those producers who sell milk within the Chicago Area and who have no such established 'base', 'bases' shall be allotted by the local representative of the Secretary of a base which will be equitable as compared with the established 'bases' of all other producers delivering to the same assembly point as such producers; and except that new producers, if any, will be allowed during the first ninety (90) days in which they produce and market, a 'base' equal to sixty per cent (60%) of their average daily production for such ninety (90) days.

1. Producers who are tenants renting farms shall have their respective 'bases'.
2. Producers who rent farms for cash, which farms have no 'base', will be entitled only to their own respective 'bases'. Producers who rent on shares will be entitled to the entire 'base' of farms so rented if the landowners own the entire herds on such farms. Where cattle are owned jointly the 'base' will be divided according to the ownership of the cattle.

3. The established 'bases' of any landlord and his tenant or tenants may be combined.

4. A 'base' may be transferred with an entire herd when sale and transfer is made to one party at one transaction, provided such herd shall be maintained for six (6) months successively thereafter on the first farm on which such herd shall be established after such transaction.

5. 'Bases' may be retained by producers only when milk is produced on farms that have supplied the market for 'fluid milk' for consumption purposes in the Chicago Metropolitan Area within the past year or from farms that lie within a territory regularly supplying said market.

6. Where a herd is dispersed for any reason, the transfer of its 'base', the herd must be replaced within forty-five (45) days if such 'base' is to be retained by the producer.

7. Producers may combine all 'bases' to which they may be entitled hereunder.

8. Any producer who shall voluntarily remain off the market for a period of more than forty-five (45) days shall upon resuming production be treated for the purpose hereof as a new producer.

9. Producers whose average daily production for any three consecutive months is less than seventy percent (70%) of their 'base' sold at Class 1 prices, will thereby establish a new 'base' equal to such average daily production.





Now, copies of this are available, and we will be glad to see that any one who wants one will get it.

MR. WITMANSKI: May I be permitted to make a remark? I am from the Chicago Milk Dealers Association, and desire to make a statement.

THE PRESIDING OFFICER: No; it is not the place for such a statement now.

MR. WITMANSKI: I want to correct a certain thing that was said before you read it, but can I reserve that?

THE PRESIDING OFFICER: Yes, please.

Now we come to the time where testimony is to be received, and I want to read the prescribed procedure, that will answer the question asked a moment ago.

The first testimony, according to the regulations, will be received from persons in favor of the proposed marketing agreement, and they will be heard on the question of whether there should be any marketing agreement. They will be permitted at this state of the proceedings to discuss the specific provisions of the proposed marketing agreement. That is the first group.

Second, after they have finished, persons in opposition to the Secretary becoming a part of the agreement will then be heard. No testimony will be received at this stage of the proceedings as to any specific provisions of the proposed marketing agreement.

Third, Persons in favor of the proposed marketing agreement will then be heard on the question of the advisability of the several provisions of the proposed marketing agreement.

Fourth, Persons who oppose any or all of the provisions of the marketing agreement or suggest additions, alterations, or modifications in respect of the proposed marketing agreement will then be heard.

Fifth, Persons in favor of the proposed marketing agreement will then be permitted to discuss any such suggested additions, alterations or modifications.

So that, now we are ready to hear those who are in favor of the proposed agreement, who will state such facts as appear to them to recommend the interest of the Secretary into this agreement.

And those who will testify will please come forward and be sworn before they make their testimony.

MR. COOK: Mr. Chairman, will we be permitted to ask questions of any witnesses who take the stand with respect to the approval of that marketing agreement?

THE PRESIDING OFFICER: The question of asking questions involves so much of a possible delay, that it has been decided that if any questions are wanted to be asked, if they will be presented to the Presiding Officer, he will ask the witness those questions.

MR. COOK: Yes, of course, will be permitted to ask questions of any witnesses who take the stand with respect to the approval of that marketing agreement. I don't think there are any persons who are so unreasonable as to ask questions that are not pertinent or relevant. I think the questions asked would be few in number, and perhaps direct to the point. For that reason, I would suggest that the chair modify its ruling, so as to permit counsel to ask questions directly, but they should be held down to the issue.

THE PRESIDING OFFICER: I think that could be very desirable.

MR. COOK: For instance, Mr. Chairman, this question: It is stated in the marketing agreement that the price of base milk shall be \$1.75 per hundred weight.

THE PRESIDING OFFICER: An opportunity to discuss that will come in its proper place.

MR. COOK: I take that by way of illustration, that counsel should be permitted to ask questions directly pertaining to the issue.

THE PRESIDING OFFICER: An opportunity for such will be given later in its proper place, where they discuss different parts of the agreement as defined.

Now, who is to testify?

MR. COOK: Mr. Chairman, do you wish all of the witnesses sworn at once?

THE PRESIDING OFFICER: No; I think we had better take them one at a time.

Is the representative from the Pure Milk Association here?

MR. GUYER: Yes.

TESTIMONY OF DONALD M. GUYER, SEC. GEN. AND  
MANAGER OF PURE MILK ASSOCIATION, CHICAGO, ILL.

[The witness was duly sworn by the Presiding Officer.]

THE PRESIDING OFFICER: Your full name?

MR. GUYER: D. M. Guyer.

THE PRESIDING OFFICER: And what is your office with the Pure Milk Association?

MR. GUYER: Secretary and General Manager of the Pure Milk Association.

Mr. Chairman and Gentlemen and Ladies, I have prepared a statement not only showing that we are in favor of the agreement, but at the same time taking up specific provisions of the agreement, and have attempted to show the necessity not only for the agreement as an agreement, but the necessity for the specific provisions of the agreement; so that, with the permission of the Chair, we would like to introduce the entire statement at this time.

My name is Donald M. Guyer. I reside in Evanston, Illinois. I am secretary and general manager of the Pure Milk Association, an Illinois corporation, organized under

the Agricultural Marketing Act of the State of Illinois.

In 1926 the Pure Milk Association was organized among the farm producers supplying fluid milk to the Chicago Market. I was actively interested in the organization of this association. After its organization I became a director, then president, later field manager having direction of the building up of membership in the association and contacting possible buyers of milk who sold and distributed milk in the Chicago market. In February 1929 I became manager of the Pure Milk Association and somewhat later its secretary, positions I have held since that time. During all of the period since the organization of the Pure Milk Association I have been part of my duties to become intimately acquainted with the Chicago Metropolitan Market both in contacting the producers for that market who were members of our association and becoming intimately acquainted with all buyers and distributors in this area. It has also been part of my duties to study their methods, the personnel of their organization and their manner of doing business. From time to time I have been called into conference and have acted as adviser in regard to several large markets in the Middle West, and as a director of the National Cooperative Milk Producers Federation, have been called into consultation in regard to milk marketing in various portions of the United States.

I desire to place in the record a statement of facts

descriptive of the production, sale and distribution of fluid milk as it affects the producers who supply the major portion of the milk sold and consumed in the Chicago Metropolitan Area as defined in this contract; a description of the market, its price trend, history and development of Pure Milk Association organization, methods of marketing and other facts so that the Secretary of Agriculture may clearly and finally determine whether the proposed agreement is in the public interest and should be approved by him at this time and made effective through the licensing system in the Chicago Metropolitan Area.

Immediately following the drafting and filing of the proposed agreement, and on May 19th, I called to a meeting the distributors and handlers of milk, except those who were drafting up the proposed agreement, a mimeographed copy of the proposed agreement. I called in the press and the agreement freely with the members of the press and gave them each a copy. Releases were sent out to most all the newspapers in the Chicago Metropolitan Area describing the proposed agreement.

I attended a meeting of the Chicago Milk Dealers' Association and discussed the agreement before the general meeting assembled. I attended a joint meeting of representatives of the Milk Council, the Chicago Milk Dealers' Association and others, and discussed freely the terms of the proposed agree-



ment. I also mailed to a representative of the organized consumers a copy of the proposed agreement.

I made every attempt to get additional names of contributors, processors, or handlers of fluid milk in the Chicago Metropolitan Area and mailed to such names so many a copy of the proposed agreement. It was stated freely in the press and in letters accompanying the proposed agreement mailed out that a hearing would be held in Washington by the Secretary of Agriculture or his agents at which anyone having any objection to the proposed agreement would have an opportunity to state such objections into the record. On the date of May 31, 1933, Chicago papers carried the official notice from the Agricultural Adjustment Administration of the proposed hearing to be held June 5th in Room 2050, South Building, Department of Agriculture, Washington, D. C., at 9:30 o'clock a.m. and on that date we mailed notice of this hearing, which was fully descriptive, giving the date, the time and the place and the purpose of the hearing to all persons, firms and corporations known to have any interest in the marketing of milk in the Chicago Metropolitan Area. Therefore, it is stated that due and official notice was accorded producers, distributors, processors and handlers of fluid milk in the Chicago Metropolitan Area as provided in the Agricultural Marketing Act.

It should be further stated that on or about the 13th of

May, 1933, there was widespread discussion of a proposed milk strike among producers supplying the Chicago Metropolitan Area and other large groups of producers of milk, cream, condensed and evaporated milk, butter, cheese, and other dairy products in the adjoining state of Wisconsin. Considered in retrospect the Wisconsin strike seems unimportant and rather a failure yet it must be remembered that at the time there was great unrest among milk producers and apparent danger should competent leadership develop, that the strike would become a real menace to the adequate, continuous supply of milk in Chicago. Partly because of that emergency, but principally because it was necessary in any case to raise prices in the interests of the producer, and in the public interest to insure a proper, uninterrupted supply of fluid milk, prices were increased as of May 15 to the members of the Pure Milk Association supplying the Chicago Metropolitan Area with fluid milk. It was definitely shown to the Department of Agriculture at the time this contract was filed that this price increase was badly needed by Pure Milk Association members, but because of competitive conditions such as producers' associations and others selling milk at prices below the association price, thus established, because of unfair trade practices and cut prices on the part of the small percentage of distributors, processors and handlers so operating; and in order to carry out the declared policy of the Agricultural Marketing Act, a trade agreement

properly enforced was essential to care for the emergency and strengthen the market situation in order to make possible the continued payment of the prices to Pure Milk Association members already established. The emergency had widespread publicity and was known to persons all over the United States and in many respects still exists.

The term "fluid milk" as defined in the proposed agreement, means and includes fluid milk, fluid cream of the various grades, such as 18%, 22%, and 32% butterfat content, together with such fluid derivatives as buttermilk, chocolate milk, sour cream and cottage cheese. These products are included because they are regularly sold --

THE PRESIDING OFFICER: You can only speak as you have up to this point, and you will have to take up the specific provisions later.

I have just called attention to the fact that in the testimony of the first witness here, he cannot discuss the several features of the agreement but can only state the general idea that such an agreement is desirable. He will continue the specific matters later in their proper place.

MR. WOOD: Then, may Mr. Geyer be permitted, since he was misled by your statement that this was the character of statement desired, may he be permitted to amplify his position in favor generally of the agreement?

THE PRESIDING OFFICER: At this time, Mr. Geyer could like

to amplify his position as in favor of the agreement in general, which he would not have done if he had gone on with the regular part of his statement.

MR. OYER: I am sorry, Mr. Chairman, that there has been some misunderstanding upon our part.

I wish to place in the record the fact that the members of the Pure Milk Association, through their duly elected board of directors, and through the board of directors to myself as representative, state for the purpose of the record that we are in favor of such an agreement to be made applicable to the Chicago Metropolitan Area as soon as it can be done, and with the aid of proper enforcement measures.

MR. COOK: May I ask Mr. Oyer a question?

THE PRESIDING OFFICER: Who do you represent?

MR. COOK: I represent Independent Farmers' of Illinois, farmers not associated with the Pure Milk Association.

THE PRESIDING OFFICER: The whole state of Illinois?

MR. COOK: Well, in the northern part of Illinois, approximately one hundred fifteen independent farmers.

THE PRESIDING OFFICER: What is the organization you represent? Is it an organization?

MR. COOK: Yes.

THE PRESIDING OFFICER: What is its name?

MR. COOK: It is incorporated; the Farmers' Cooperative Marketing Association.

operative Marketing Association.

THE PRESIDING OFFICER: Do you want to ask a question as to why he is in favor of the agreement?

MR. COOK: No; I want to know how he arrives at some of the figures in that agreement.

THE PRESIDING OFFICER: I rule your question out of order; I rule your question out of order.

MR. COOK: May I ask the Chair to put this question to him: If the Pure Milk Association has at any time made any effort to determine the cost of production of the dairy farmer?

THE PRESIDING OFFICER: That is a specific question, and it is not in order now to ask that question.

Is there any one else who would like to testify who is in favor of the agreement, of this marketing agreement, at this time?

A TESTIMONY OF MR. FRED D. WALMSLEY, PRESIDENT,  
MILK COUNCIL, INC., CHICAGO, ILL.

[The witness was duly sworn by the Presiding Officer.]

MR. WALMSLEY: Mr. Chairman, ladies and gentlemen, my name is Fred D. Walmsley. I reside at 1141 North Oak Park Avenue, Oak Park, Illinois. I am President of the Milk Council, Inc., a trade association, the membership of which consists of 21 milk distributors in the Chicago marketing area.

The members of this association annually distribute more than one billion one hundred fifty million pounds of milk in the Chicago Metropolitan Area and represent approximately 60% of the total milk distributed therein.

I am expressing the unanimous sentiment of the members of the Milk Council, Inc., when I say that in their opinion a marketing agreement along the general lines of that read into the record is absolutely vital to the preservation of the Chicago market to consumers, producers and distributors.

The members of this organization ask to be recorded as being in favor of a marketing agreement for the following reasons:

1. The milk industry in the Chicago marketing area, which over a period of many years has established an enviable reputation in respect to the services which it renders the consuming public, the treatment which it accords its employees, and the returns which it secures its producers, is now being imperiled to the detriment of the consuming public, the producer, labor, and the distributor, by unscrupulous trade practices and cut-throat competition employed by a small minority. This minority has taken advantage of the desperate situation created by the depression to profit by resorting to practices, on a large scale, which the established members of the industry, after many years of effort, had almost succeeded in eliminating.



2. Should this industry, which has arrived at a high point of perfection through years of unremitting effort, research and great capital outlays in improved farms, buildings, pasteurizing plants, delivery equipment, etc., be destroyed, we may expect:

(1) Disaster for the consuming public because of improper handling of the milk supply;

(2) Ruin to the farmer, whose security depends upon a stable market;

(3) Increased unemployment because of the destruction of a stable industry;

(4) Further distress to those who have invested in this industry and whose investments will suffer greatly.

3. Our President has but recently stated that "no one shall be permitted to preserve itself by agreements entered into by the majority to curtail the insidious activities of a minority." We are here today to request that, through a marketing agreement, an opportunity be given to our industry, which is in such sore need of assistance from the federal government, to enable it to preserve and extend its code of fair practices which, for so many years, has worked the greatest good for the community and the industry at large.

MR. GREEN: May I cross examine the witness?

THE PRESIDING OFFICER: Do you want to ask him about his opinion?

MR. GREEN: I want to cross examine as to his

THE PRESIDING OFFICER: Will you state your question?

MR. GREEN: I would like to understand what he means by being imperilled to the detriment of the consuming public, which he spoke of, whether that refers to the activities of a minority of distributors in the Chicago Area in cutting prices?

THE PRESIDING OFFICER: Will you please give us your name?

MR. GREEN: Joseph E. Green.

THE PRESIDING OFFICER: Representing what organization?

MR. GREEN: Representing 52 distributors in the Chicago Area.

THE PRESIDING OFFICER: And you are authorized to speak for them?

MR. GREEN: I am authorized to speak for them, and I have affidavits at the hotel which I will bring to the hearing this afternoon.

THE PRESIDING OFFICER: What is the whole name?

MR. GREEN: Joseph E. Green.

THE PRESIDING OFFICER: Have you a list of the distributors you represent?

MR. GREEN: I can furnish that this afternoon.

THE PRESIDING OFFICER: It does not seem to me that it is a question which should be answered at this time. If we have an opportunity, those who are opposed to this

agreement, to say that they are opposed, and your record will go on the file just as theirs will. It seems to me that if we ask questions about the definite basis of the opinion given by those who state at this time merely their agreement with the idea that the Secretary should take part in this agreement with the producers, we could not get very far.

MR. GREEN: May I suggest, that, since the Chair has expressed his desire to preserve time, and since he has denied the right to cross examine as to the opinion, that all people stating themselves as in favor of this agreement simply come before this body and say, "I am in favor of this agreement and I represent such-and-such, an organization," and sit down.

THE PRESIDING OFFICER: You will have an opportunity when you want to present your side to say how your statement will be, and that will be put on the record. I think it is altogether unnecessary at this time, and I will rule against it.

Is there any other who would like to speak in favor of the agreement -- is there any other person who takes the position of being in favor of the agreement who would like to testify at this time?

TESTIMONY OF MRS. WILBUR FRIDLEY, PRESIDENT, CHICAGO HOUSEWIVES LEAGUE, AND CHAIRMAN OF THE FOODS AND MARKET COMMITTEE OF THE WOMEN'S CITY CLUB, CHICAGO, ILLINOIS.

(The witness was duly sworn by the Presiding Officer.)

MRS. FRISLEY: I am Mrs. Wilbur S. Frisley, President of the Chicago Housewives League of Chicago, and Chairman of the Foods and Market Committee of the Women's City Club of Chicago, which organizations cover not only the Metropolitan Area as described in this brief, but also many outlying cities.

My organizations have been interested in milk since the beginning of bottling and pasteurization. We represent not only the educational groups, but we are interested in this trade agreement because we are essentially interested in the quality of the milk and the stabilization of a market that will assure us that 365 days in the year we may have the same grade and not have to worry whether or not it carries any of the diseases that may affect our children.

We carried on definitely several different campaigns, including an educational campaign to educate the people to the meaning of the tuberculosis ordinance that was put in in 1926, and telling the consumers the benefit and the protection of that.

In October, 1928, we organized a campaign and went out through the milk shed district to find the facts, and make an attempt to try to educate the consumers as to the need to have inspection in that district. That report of that fact-finding committee is on file here.

We wish to state, for the consumers of the Metropolitan Area in Chicago, that we insist, through the Pure Milk Association and the milk dealers in the district, that we shall be provided with suitable supplies of pure milk as prescribed by the ordinance, and that it shall protect all classes of consumers from impure milk. One of the worst difficulties is with the tourists, and we believe that buying at these roadside markets constitutes one of the most likely carriers for infectious diseases and we believe that a trade agreement is necessary because it involves distinctly interstate problems.

We intend to carry on a constant campaign of education to tell the consumers what it means, and this is the first opportunity that we have had to tell the consumers that the Government is also interested in the stabilization of the market, as well as the many business interests.

#### TESTIMONY OF R. STANLEY WANZER.

(The witness was duly sworn by the Presiding Officer.)

THE PRESIDING OFFICER: Mr. Wanzer.

MR. WANZER: My name is R. Stanley Wanzer. I live at 5400 Dorchester Ave., Chicago, Illinois. I am vice president of Sidney Wanzer and Sons of Chicago, an Illinois corporation.

My company has been a Chicago milk distributor for 70 years. It is for the proposed marketing agreement to become effective in the Chicago Metropolitan Area under Section 8, subsection (2), of the Agricultural Adjustment Act, for the following reasons:

It is important to the citizens of the city of Chicago and the adjacent area that there be an uninterrupted distribution of healthful fresh milk and that the supply of milk be of unrestrained volume and high quality.

Beginning with the depression, the volume of sales due to decreasing purchasing power of the public has continued to drop off to a point where many of the milk companies of Chicago have found it difficult to continue in business.

The financial distress of these dealers has become more acute by the Act, in the Metropolitan Area of Chicago, of organization to seek to build up business through the process of price cutting, by taking milk and cream from producers not members of the Pure Milk Association at lower than the contracting prices, and securing men to bottle milk for a



small return per day as against the guaranteed wage scale which is being paid by the long established milk dealers.

To obligate every distributor of milk to pay precisely the same price, and to sell milk at the same price, wholesale and retail; to obligate every producer of milk to sell milk at the same price to everyone; and to defeat the unfair and demoralizing and destructive wayside stand, and changes in this sort of handling milk, are some of the things that will follow from the Regulations that will result from this marketing agreement.

It will enable the milk distributor or milk distributing companies to make a fair return on their investment, and continue to give employment to the large number of employees in their employ at a living wage scale, and to pay the producer a fair price for his product.

And it will establish a code of ethics for fair practices, for the information of all types of milk men in all of their operations, to the end that the instrumentalities we all know about may be prohibited from destroying legitimate business.

THE PRESIDING OFFICER: At this time, I just want to ask Mr. Green to submit a memorandum, if he still, re-stating his question. We wish to be absolutely fair, and, while we do not want to have the testimony interrupted by a cross examination at this time, because there are general state-

ments, I can realize the statement made by Mr. Walmsley, may offer some difficulty. Please state your question again.

First, let me read what he said:

"The milk industry in the Chicago marketing area is now being imperilled to the detriment of the consuming public, the producer, labor, and the distributor, by unfair trade practices and cut-throat competition employed by a small minority."

Now, Mr. Green, will you please state whom you represent in this matter?

MR. GREEN: As I said before, I represent 52 independent distributors in and about Chicago, the Chicago area.

THE PRESIDING OFFICER: And they have authorized you to appear here?

MR. GREEN: They have authorized me to appear here.

THE PRESIDING OFFICER: And you will file that authorization with us?

MR. GREEN: I will file it this afternoon.

THE PRESIDING OFFICER: Now, I will ask Mr. Walmsley to answer that question: - as to what you meant by that.

MR. GREEN: I want him to amplify his statement insofar as he says that the trade practices and cut-throat competition are to the detriment of the consuming public.

THE PRESIDING OFFICER: Of course, he did not say exactly that; he said what I read. But you would like for Mr. Walmsley

to answer that question?

MR. GREEN: Yes.

MR. WALMSLEY: Well, the basis for the point is simply one of health to the consuming public by the sale of milk of raw milk on the outskirts of the city, and the stability of the service.

MR. GREEN: I would like to pursue the question further. I would like to ask what the detriment to the health of the consuming public is of our pasteurized milk, the same as stated by Mr. Ryan.

THE PRESIDING OFFICER: What was that again, Mr. Green?

MR. GREEN: I would like to understand what the detriment to the health of the public is.

THE PRESIDING OFFICER: Now is that a detriment to the public health you speak of?

MR. WALMSLEY: That statement belongs in there because of statements made by various health authorities of the danger of using raw milk.

MR. GREEN: Then, this has no application to pasteurized milk.

MR. WALMSLEY: Well, that is not the question, is it?

MR. GREEN: Yes, now, as I understand you our trading was a detriment to the consuming public because of raw milk. Now, I would like to know if that would be a detriment to the consuming public were we selling pasteurized milk, a pasteurized product.

MR. WALMSLEY: That does not enter the discussion.

MR. GREEN: It does as far as I am concerned.

THE PRESIDING OFFICER: I think, Mr. Green, when you have an opportunity to put in your testimony, you should deal with this question specifically and fully for the record.

MR. GREEN: May I ask one more question? I would like to know if the only detriment to the consuming public is one of health.

THE PRESIDING OFFICER: That is on the same point and I suggest that you refrain until you present your own testimony, when you can raise the same question.

MR. GREEN: What I want to get into the record is that it is not the position of Mr. Walmsley --

THE PRESIDING OFFICER: Don't take this please, Mr. Stenographer.

(Discussion off the record.)

THE PRESIDING OFFICER: This gentleman said he would like to present his point of view. It has to do with this first part. Please make your statement.

TESTIMONY OF STEPHEN I. WITMANSKI, CHICAGO MILK DEALERS ASSOCIATION, CHICAGO, ILLINOIS.

(The witness was duly sworn by the Presiding Officer.)

MR. WITMANSKI: My name is Stephen I. Witmanski. I live at 3414 South May Street, Chicago, Illinois. I am chairman of the Board of The Chicago Milk Dealers Association, an

organization that dates back to about 1894, composed of about 110 dealers who distribute milk in the city of Chicago.

It was stated here that the Chicago milk dealers have taken a position. On May 24, of this year we had our meeting, at which there was no action taken either way. There was no opposition, but there was no consideration of any marketing agreement, because on that date there was not any available, to our knowledge. That particular morning there was a discussion, at which time there was several parts to be rewritten. We had left that meeting with a motion that whenever an agreement will be procured that we can submit to the members, we would consider the question.

Another meeting was called on the 31st of May of this year, at which time the agreement was not completed yet, to our knowledge. Therefore, we were not able to discuss the question, but a notice had been received on that date, stating that there was a hearing to be had here, and the members had delegated three of us to come here to be able to enlighten them on this particular phase.

There are a great many things in the way of marketing that require assistance, and they are all aware of that, but I am simply trying to state that as to the members of the Chicago Milk Dealers, they were not able, and I am sorry they were not able at this date to state their position on that, because early yesterday, or late yesterday, when we got on the train, copies had been given us, and that was all the information

that we had.

I am sorry that that is the position we have to state at the meeting here, but that is our position at this time.

THE PRESIDING OFFICER: Is there any one else who would like to speak on this first part with reference to favoring the idea of the Secretary entering into an agreement with these associations in this marketing agreement.

If not, we will proceed to the second part, "persons who are in opposition to the Secretary becoming a party to any marketing agreement will then be heard. No testimony will be permitted at this stage of the proceedings as to any specific provisions of the proposed marketing agreement."

Does any one want to be heard on this point?

MR. COOK: Will the Chair read that section again?

THE PRESIDING OFFICER: (reading):

"Persons who are in opposition to the Secretary becoming a party to any marketing agreement will then be heard. No testimony will be permitted at this stage of the proceedings as to any specific provisions of the proposed marketing agreement."

That is, it is the general opposition, and not any specific provision -- just the general idea.

MR. COOK: I understand. May I ask the Chair if, prior to this marketing agreement, has any marketing agreement with respect to the production and sale of milk ever been submitted before?



THE PRESIDING OFFICER: Not so far as I know.

MR. GERTNER: That is out of order.

THE PRESIDING OFFICER: Do you want to speak to this question now?

MR. COOK: What I have to say, does not come within this section, and that is the reason I have asked this question, whether there has been any other agreement submitted along same lines.

THE PRESIDING OFFICER: Do you want to testify on this point? If you do, please come forward and be sworn, and testify.

MR. COOK: I have already stated my position.

THE PRESIDING OFFICER: You should also state for whom you appear and your authority to represent those people.

MR. COOK: Yes, I am going to be heard, but I was trying to determine whether I should be heard at this time, or wait until later.

THE PRESIDING OFFICER: Do you want to oppose the idea of any agreement?

MR. COOK: No, no.

THE PRESIDING OFFICER: Whether there has been an agreement before or not, has nothing to do with it.

MR. COOK: I understand; thank you very much.

TESTIMONY OF WALTER M. SINGLER, President,  
WISCONSIN COOPERATIVE MILK POOL, APPLETON,  
WISCONSIN.

The witness was duly sworn by the Presiding Officer.

THE PRESIDING OFFICER: What organization do you represent?

MR. SINGLER: The Wisconsin Cooperative Milk Pool.

THE PRESIDING OFFICER: That is milk in the Chicago area?

MR. SINGLER: A lot of the members had milk going into Chicago; we have quite a membership in there.

Mr. Chairman, my name is Walter M. Singler; twice elected president of Wisconsin Cooperative Milk Pool, a general milk producers organization, composed of seventeen thousand members in the state of Wisconsin, whose representation comes from the producers direct.

I am interested in this because my membership has many diversified markets. We have memberships shipping into Minnesota, into Illinois, and into New York and New Jersey markets, the various types of their products. The Chicago market is an important market to the Wisconsin milk producer.

However, the Wisconsin farmers have not been guilty of eliciting the prices in the Milwaukee area, in the Chicago area, and in the other areas. It has been the buyers that have gone in there and bought the product specifically to elicit certain markets by buying the milk at little or no

prices and shipping it into those markets against the higher prices trying to be held by the shippers in those markets.

Our membership is hoping that some sort of relationship can be established between the producers in the principal dairy states so that we may share equally, or equitably if not equally, or such markets as are within the immediate shipping radius.

I feel that a contract entered into at this time would be but the start of a series of reductions which would result in a detriment to the producers of milk themselves.

I do not feel that the testimony which can be given here will be a true representation of the testimony that could be submitted at a hearing of this kind; not at this time. A few of us are particularly fortunate in being able to come to this hearing, but the vast group of producers that are seriously affected by this marketing agreement that might be entered into - it is impossible for them to be here in order to actually testify and give the evidence that is necessary.

My organization sent me here to request that the meetings be held in the territories affected, and that the hearings either be published or given such publicity that the average farmer affected, the average dealer affected, the average consumer affected, might be able to present testimony, instead of being penalized by such a distance at this time at what loss of time and attention to other actual

business they would have to come.

I am here specifically to oppose drawing it up at this time, and to request that the hearing be held, if not in Wisconsin, at some place adjacent to Wisconsin or to Illinois; we believe that the hearing should actually be in the territory affected, so that we could have more proper representation. The people most affected and who would come to the hearing are not able to come, under any circumstances.

However, we oppose the agreement at this time, and ask that the hearing be removed to the territory immediately affected. Is that clear?

MR. WOOD: Mr. Chairman, may I ask, or will you ask the definite question of the witness; whether or not the witness has any contracts with dealers or distributors in the Metropolitan Area?

THE PRESIDING OFFICER: Has your organization any contract?

MR. SWOLER: No; not as yet.

THE PRESIDING OFFICER: Is that all?

Is there any other who would like to speak at this time?

MR. SWOLER: I have one more suggestion I want to bring out, if I may, at this time:

We are taking into consideration in these varied agreements at all times the principal part involved. The principal part involved in this agreement is to restore the buying power to those people actually producing milk, and I do not

see how any sort of an agreement entered into along that line at this time would prove in any way an agency to increase or fluctuate or change these prices so as to be a benefit to the actual producers themselves; and especially along base and surplus lines.

THE PRESIDING OFFICER: That is a clear statement.

MR. WOOD: May I move at this time, in view of the witness' statement that he has not contract in the Metropolitan Area, I am sure that is the fact under consideration at this time, may I move that his remarks be stricken from the record?

THE PRESIDING OFFICER: Even if he has no contracts, his milk may go into the Chicago District; may it not?

MR. WOOD: Except under contract. As I understand, the matter under consideration is the fluid milk market in the city of Chicago, and if he has no contracts I can see no interest of his organization in the agreement.

THE PRESIDING OFFICER: I think that should stay in as opposition to the general idea. The motion is overruled and I think it should stay in.

TESTIMONY OF NORMAN S. DIETZ; REPRESENTING 52 INDEPENDENT DEALERS IN THE CHICAGO AREA.

(The witness was duly sworn by the Presiding Officer.)

MR. DIETZ: Mr. Chairman and gentlemen. My objection particularly is to the fact that we had no notification of this meeting and it seems to me that we should have had notification

of this meeting that was to be held to consider the agreement of the Pure Milk Association.

We are operating at the present time about 52 independent dealers in and about the Chicago Area.

We are paying a price for our milk today, with no surplus, of \$1.75 per hundred. I think there should be some restriction on this subject as to the buying, and also as to the making of deliveries.

THE PRESIDING OFFICER: The point we are discussing now is the advisability of any agreement of this kind; and not as to any particular features.

MR. DIETZ: Well, I wish, Mr. Chairman, at the present time to state that, while it has been mentioned in this meeting that notice was given, we did not have sufficient notification so that we could prepare ourselves properly and be here; and I think in all fairness to the public and to our dealers, that this meeting should be put off until some time when we can be fully represented here and present our evidence.

They have mentioned that it was in the newspapers, and I read the newspapers, and we all read them; but the first we heard was through the State Inspector that there was to be a meeting here today.

THE PRESIDING OFFICER: Your general objection is to the fact that we are having a hearing; and not to the fact that the Secretary may or may not enter into an agreement.

Just now, we are discussing that. I see your point, and it is very well taken.

MR. DIATZ: My point, Mr. Chairman, is that I feel as though we should be better prepared at this hearing, and that it should be delayed until we are able to properly prepare. That is the point I wanted in the record.

THE PRESIDING OFFICER: Is there any other in general opposition to this idea of the Secretary entering into an agreement in this milk matter? If so, will you please come forward now, if you want to speak, or for ever after hold your peace.

MR. COOK: This is opposed, I understand?

THE PRESIDING OFFICER: Yes.

MR. COOK: Mr. Chairman, --

THE PRESIDING OFFICER: Do you want to make a statement?

MR. COOK: Yes; I want to make a statement.

STATEMENT OF EDGAR J. COOK, OF COOK AND ALBERT  
Attorneys at Law, CHICAGO, ILLINOIS.

(The witness was duly sworn by the Presiding Officer.)

MR. COOK: Mr. Chairman, I am not here to express my opinion. I am here to deduce and present facts, and after those facts are presented I expect from those facts to offer opinion testimony. I am here to offer testimony with special relation to the cost of production to the farmer. I am here to say that the price of the dairy farmers' products

is far below the cost of production.

THE PRESIDING OFFICER: That is on a specific part of the agreement and we cannot discuss that now. That will have to come later.

MR. COOK: Then, that is all that I am permitted to offer now? We have testimony on those facts which would be presented later.

THE PRESIDING OFFICER: That is a general question.

MR. COOK: Then, I will proceed later.

THE PRESIDING OFFICER: Now, is there any other who would like to speak in opposition to the idea of the Secretary entering into any agreement of this kind?

If not, we come now to the third phase of this hearing. Now, we will hear persons in favor of the proposed marketing agreement who will be heard on the question of the advisability of the several provisions of the proposed marketing agreement.

Now, is there any one who wants to be heard on that?

MR. GUYER: Mr. Chairman.

THE PRESIDING OFFICER: It is your chance now. You have already been sworn, Mr. Geyer.

MR. GUYER: Yes.

FURTHER TESTIMONY OF DONALD W. GUYER, Secretary  
AND GENERAL MANAGER, THE PURE MILK ASSOCIATION,  
CHICAGO, ILLINOIS.

MR. GUYER: Mr. Chairman, I would like to have the remarks previously made be made a part of this state at this time. Upon the question of notice, I would like to introduce newspaper clippings covering the rise in the price of milk at Chicago and the agreement, or the fact that there was no agreement (producing papers). Mr. Chairman, I would like these to be marked.

THE PRESIDING OFFICER: Yes.

(The papers referred to, newspaper clippings covering the rise in the price of milk at Chicago and the proposed agreement, were marked as Exhibit, and will be found in Appendix 1 of the record.)

MR. GUYER: Mr. Chairman, Still with respect to notice, I desire to introduce a copy of letter and the list of those to whom the letter went, giving notice of this hearing on the 31st day of May. This notice was mailed as the official notice by myself as temporary administrator authorized by the Secretary of Agriculture for the Chicago Metropolitan Area.

(The documents referred to, letter dated May 31, 1933, Geyer to co-operating dealers, together with list of those to whom letter was sent, was filed as an Exhibit and will be found in Appendix 2 to this record.)

(Letter dated May 26, 1933 Geyer to co-operating fluid milk distributors, together with list of those to whom letter was sent,



MR. GUYER: Taking up the specific provisions of the  
agreement and our reasons why we believe they should be a  
part of the agreement, and in explanation of the terms  
in the agreement:

The term "fluid milk" as defined in the proposed agree-  
ment, means and includes fluid milk, fluid cream of the vari-  
ous grades, such as 15%, 22% and 32% butterfat content,  
together with such fluid derivatives as milk, milk  
milk, sour cream and cottage cheese. These products are in-  
cluded because they are regularly sold by distributors, pro-  
cessors, and handlers of fluid milk sold at wholesale and re-  
tail in the Chicago Metropolitan Area. Fluid milk, as de-  
fined in the agreement, does not include butter, cheese,  
evaporated milk and such products for the very good reason  
that producers of such products in proper accordance with  
parties to this agreement, although the Pure Milk Association  
as a contracting party to this agreement, is authorized to  
offer production control measures and to enter into such  
agreements and to abide by such agreements as are required  
under the Agricultural Marketing Act, to carry out the  
declared policy of the Act insofar as any milk, or any  
members of the Pure Milk Association in excess of fluid milk  
requirements may be manufactured into such products as may be

covered by such agreements.

The Pure Milk Association is a cooperative service and  
selling organization, marketing the milk produced on some  
16,626 farms owned or operated by members, located as fol-  
lows: 8,647 farms in Illinois; 3,762 farms in Wisconsin;  
and 4,177 farms in Indiana. All of these farms, with the  
exception of about one hundred fifty located at Brooklyn,  
Wisconsin, and about three hundred located at Servis, Indiana,  
are within the one hundred mile radius of the center of the  
city of Chicago. The milk produced upon these 16,626 farms  
is assembled at country plants and shipping platforms. In  
several instances these shipping points are so located near  
the borders of States that milk produced in more than one  
State is actually mixed in a single container. The milk so  
assembled moves into the Chicago area by various forms of  
transportation - railroads, certified truck routes, private  
trucks, etc. Milk produced in Illinois, Indiana or Wisconsin  
is consigned to dealers and distributors in the Chicago area  
without any regard for State lines. A bottle of milk deliver-  
ed to a customer consumer in the Chicago Metropolitan Area  
may contain milk produced in either Illinois, Wisconsin or  
Indiana or in any two of these States or possibly in some  
instances all three States. The City of Chicago proper is,  
of course, confined to its city limits, but adjoining Chicago  
on all sides are suburban communities, some of them having

65  
nearly one hundred thousand population, and in many cases  
there is an interruption at the city limits of the densely  
populated territory. North from Chicago, extending to  
Waukegan, a proximately twenty-five miles away, is an almost  
uninterrupted residential district. Milk wagons and trucks  
operated by contracting distributors distribute milk through  
all of that territory. On the West, with some interruption, we  
reach the towns of Crystal Lake, Illinois, and down the Fox  
River Valley to Dundee, Elgin, St. Charles, Batavia, Geneva  
and Aurora, Illinois; and on the south, South Chicago, Chicago  
Heights and Kankakee. On the Southeast is the great Calumet  
region, composed of Gary, Hammond, Whiting, and so on. In  
practically all of this territory one or more wagons operated  
by contracting distributors distribute milk produced by  
members of the Pure Milk Association, but in addition to  
that in all of the cities named, together with those between  
there and Chicago, the Pure Milk Association members supply  
practically all the milk and cream handled by 90 per cent or  
more of the distributors by volume and numbers in all of that  
territory. In the proposed agreement we have set up the  
Chicago Metropolitan Area as a territory bounded by a line  
thirty-five miles distant from the nearest point of the city  
limits of Chicago.

I present first two tables, one titled "Quantities of  
Milk Sold Within the Thirty-Five Mile Chicago Metropolitan

Area," and marked Exhibit "A".

Exhibit "A" contains the following figures: Purchasing milk through the Pure Milk Association, Chicago proper, 5,986 routes, milk used for fluid, 2,518,609 pounds; milk for cream, surplus, 696,363 pounds; dealers purchasing milk outside the Pure Milk Association - as near as we are able to get the facts, Mr. Chairman - 304 routes, 118,200 pounds for fluid; 259,009 pounds for cream; a total purchase of 3,579,172 pounds. Suburbs, 578 routes; 489,897 pounds for fluid. These figures are inclusive of the amount which originates in Chicago and is distributed to the retailing by Chicago dealers. Dealers purchasing outside Pure Milk Association, 38 routes; 17,160 pounds for fluid; 5,000 pounds for cream; a total of 512,057 pounds. Raw milk stands, as near as we are able to determine, 40,000 pounds for fluid; 15,000 pounds for cream, a total of 55,000 pounds. The totals are duplicated below: 6,564 routes through the Pure Milk Association with a purchase of 3,008,506 for fluid and 696,363 pounds for cream; outside the Association, 342 routes; 171,360 pounds for fluid; 270,000 pounds for cream; a total of 4,446,229 pounds. The total purchases through the Pure Milk Association, 3,704,869 or 89.35%; outside the Pure Milk Association, 441,360 pounds, or 10.65%; a total of 4,146,229 pounds.

(Exhibit "A", "quantities of milk sold within 35 mile Chicago Metropolitan Area" will be found

complete in Appendix 4 to this record.)

MR. CHAIRMAN: The second exhibit is Exhibit "B" showing the membership farms by States, the amount sold in the 35 mile Chicago Metropolitan Area, and the manner of transportation.

Illinois, with 8,687 membership farms, 1,941,451 pounds of 90% daily base, of which 1,926,829 pounds of 90% total daily base were sold in the Chicago Metropolitan Area. Of this amount 800,146 pounds moved to the market in cans; 663,691 pounds in tank trucks - that means collected at the creamery plant and transported by tank trucks to the market - and 462,992 pounds by tank cars. Indiana, with 4,177 membership farms, 547,209 pounds of 90% total daily base, of which 459,343 pounds were sold in the Chicago Metropolitan Area. The total figure would only be repetitive that total as to the can and truck and tank cars. Wisconsin, with 3,702 membership farms, 636,741 pounds of 90% daily base, of which 622,334 pounds were sold in the Chicago Metropolitan Area.

The 1932 daily production shows Illinois, with 8,687 membership farms, an average daily production at the present time of 2,334,970 pounds, of which 2,310,396 pounds are sold in the Metropolitan Area; Indiana, with 4,177 membership farms, 650,215 pounds of average daily production, of which 567,004 were sold in the Metropolitan Area; Wisconsin, 3,702

membership farms, with 830,681 pounds of average daily production, of which 747,108 pounds were sold in the Metropolitan Area. Of a total of 16,626 membership farms, with an average daily production of 3,823,866 pounds, of which 3,532,004 pounds were sold in the Metropolitan Area, - that not being sold, being manufactured, of course.

Exhibit "B" shows the membership farms by States, the amount sold in the 35 mile Chicago Metropolitan Area, and the manner of transportation. Appendix 5 to this record.

These exhibits were prepared under my direction and intended to show that the milk supply for the Chicago Metropolitan Area by the Pure Milk Association originated in the States, is interstate in character, but it is intrastate milk produced and sold within the Chicago Metropolitan Area. It shows that that of the total supply of milk and cream used in the Chicago Metropolitan Area 89.35% is produced and sold through the Pure Milk Association, all of which is handled by contracting distributors who have voluntarily signified their intention of becoming parties to the proposed trade agreement, and that 10.65% of the milk and cream used in the Chicago Metropolitan Area is produced by others than members of the Pure Milk Association and handled partly by distributors becoming a party to this agreement as cream and as milk and cream by distributors not purchasing through the Pure Milk Association.

It is therefore clear that at least 89.35% of the total milk used in the Chicago Metropolitan Area is represented by the Pure Milk Association on one side and the contracting distributors on the other offering this proposed trade agreement.

Members of the Pure Milk Association hold contract relationship with the Pure Milk Association as their selling organization. Exhibit "C" is the Pure Milk Association membership contract, and Exhibit "D" is the by-laws of the Association.

Exhibit "C", membership contract of Pure Milk Association, will be found complete in Appendix 6 to this record.  
Exhibit "D", By-laws of Pure Milk Association, will be found complete in Appendix 7 to this record.

MR. CHIEF: I will take up in a moment the specific provisions of the membership contract. I wish to draw upon the by-laws for the purpose of the record.

These by-laws provide that once each year a redistricting congress will be held by representatives of the membership, when the territory covered by the membership of the Association may be divided into 17 districts, and the boundary line for these districts may be fixed by the membership themselves.

Following the redistricting congress, there are elections by meetings of the membership in local, where local officers are selected and where delegates are selected to represent the membership at district and membership meetings.

of the whole for the ensuing year.

At the district meetings, held once each year, in alternate years the Board of Directors are selected. They are conducted in the district meetings, and their nomination presented at the annual meeting of all the membership, from which their representatives are elected to represent the membership in all matters pertaining to their association. The officers of the association are selected by the Board of Directors, and the secretary may not be a member of the Board, by the by-laws.

I make that statement to make it very clear that, first, we are here by individual contractual relationship with each individual farm producer that I have listed here in person; and we are here, secondly, as the duly elected and appointed officials of those farmers, to represent them with full power to negotiate any matter pertaining to the sale of the milk.

The membership agreement provides that all members of the association must produce milk of the highest quality according to any ordinances, rules or regulations now in effect or to be enacted by the Health Departments having jurisdiction on any market for which the milk is produced. It provides also that the association shall act as agent for the member in the sale of the milk and may direct its delivery, and, through the by-laws, clearly empowers its chosen representatives to act in all capacities affecting the sale of the milk, and, as this proposed trade agreement affects the

terms upon which the milk is sold, the officers of the Pure Milk Association are, by virtue of this contract and, as such, empowered to enter into such contractual relationship in behalf of the membership of the association.

The membership agreement provides a commission of 3 cents per hundred weight to the association which it directs the buyer to deduct and pay to the association monthly. This 3 cents provides the following services: A marketing department, which, with the board of directors, forms the sales committee. Complete records of the individual members' production and sale of milk to buyers and all statistical information necessary for sales negotiations and proper protection of the members' interests.

A complete laboratory and food service department, employing trained men of high caliber to check the butterfat tests, weights and scales of buyers; trained experts to give assistance in any difficulty affecting the quality of milk, arising in processing plants, as well as a complete service to members that may have difficulty in meeting the quality standards and requirements.

It further provides a public relations department covering all forms of public relations and constant efforts to bring the consumer into a better understanding of the milk production costs and problems affecting the production of milk.



It provides also proper and efficient management of all the various departments.

Approximately 1 cent per hundred weight of the 5 cents is set aside for educational advertising and sales promotion to increase the use of milk and dairy products. This is handled in each market in the Metropolitan area by a local committee and in Chicago proper is handled through the Milk Foundation, Incorporated, an Illinois corporation, organized not-for-profit, whose directors are selected equally from the board of directors of the Pure Milk Association, representing the producers, and the board of directors of the Chicago Milk Dealers' Bottle Exchange, which represents all distributors in the city of Chicago, and part of the suburban territory who exchange bottles through that institution. All monies contributed to the Milk Foundation, Incorporated, by the Pure Milk Association are matched equally by the contributions from the Milk Dealers' Bottle Exchange. The officers of the Milk Foundation, Incorporated, Chicago, Illinois, are: Mr. P. B. Kullman, Sr., Bowman Dairy Company, President; D. H. Geyer, Pure Milk Association, Vice-President; Henry A. Pfister, Pure Milk Association, Treasurer; Fred Webb, Borden's Farm Products Company of Illinois, Secretary; and Carl Deyar, Roth, Executive Secretary.

The Milk Foundation, Incorporated, has done and is doing exceptional work in advertising on bill boards, street cars, and newspapers; also posters for restaurants, schools, public

places with proper preparation of menus showing the proper use of dairy products in the diet; the preparation of low cost menus in cooperation with the Relief Commission, printing and proper distribution of these and many types of booklets, pamphlets, and other material. A comprehensive radio program was carried on for one full year and many other activities too numerous to mention here, all designed to educate the consuming public to the value of milk and milk products as the very foundation of the health of any city or community. No effort is made to confine any of these promotional services to members of the association but has been continued over a period of years to increase the customer's demand for milk.

The contract provides also what is termed as an Adjustment Fund. To go back to the membership contract, now, this fund is provided by an assessment not exceeding 5 cents per hundred weight for any one month and is to be used as far as the funds for any one month will permit to guarantee a market to the individual member for his Class I milk and to guarantee payments therefor. As many as twenty-five hundred members, whose milk could not be sold in regular channels, have been paid from this fund in a single month and several collection proceedings against dealers in default have been instituted and concluded in behalf of members. The operation of this fund makes it necessary for the Association to process the milk paid for by the fund and sell it to the best available market,

sometimes as whole milk, sometimes as cream, and at other times for butter and the various other purposes to which milk can be used.

The contract also provides for a monthly publication known as "Pure Milk", copy of which I would like to introduce into the record, which is the association house-organ and goes to the membership once each month, (handing document to the reporter).

(The document referred to, June 1933 issue of "Pure Milk" will be found in Appendix B to this record, only one copy thereof being furnished the reporter.)

In the period of 1909 to 1914 in the Chicago Metropolitan Area there were few, if any regulations governing the production, sale and distribution of milk. Any milk was eligible to the city. The butterfat test was very little used. Bacteria counts, cooling and matters of that sort were just coming into use. Pasteurization was not compulsory and some fifteen hundred individual distributors operated within the city of Chicago alone. Milk was delivered to the consumer almost entirely in bulk, dipped from the can and poured into the consumer's container, brought to the milk wagon.

In August, 1912, an ordinance was passed in Chicago, requiring dealers to own and mark their bottles and to deliver milk bottled. This was rather loosely enforced until about 1916 when a rather rigid pasteurization ordinance was passed.

without drafts on cows.

"5. Floor and gutter should be tight (Cement is best); walls and ceilings smooth; tight, clean withwashed twice a year, or painted once every two years."

I might say that no wood floors are allowed to be constructed at this time. (continuing reading):

"6. Remove manure daily to field, or store at least 40 ft. away from barn, and in such a manner as to prevent breeding of flies.

"MILK HOUSE:

"7. Locate away from dust, odors, hogs, etc. Make it light, clean and well ventilated. Provide an impervious floor and cement cooling vat. Use milk house only for handling and storage of milk.

"8. An adequate, easily accessible water supply of safe, sanitary quality should be available.

"9. The farm toilet should be constructed and maintained so as to prevent the access of flies or small animals to the excreta, and located at a point where it will not contaminate the water supply.

"CONTAINERS AND UTENSILS:

"10. All containers and utensils should be easily cleaned and in good repair, with seams as closed as possible, or rough, and used exclusively for milk.

"11. They should be thoroughly cleansed after each usage by rinsing with clean water, scrubbing with hot

cleansing solution and rinsing again.

"12. After cleaning, the utensils and containers should be thoroughly sterilized with steam by submerging in boiling water, or with a chlorine solution. They should be stored in an inverted position in a place protected from flies and dust.

"MILKING AND HANDLING MILK:

"13. Give no dry, dusty feed, just previous to or during milking.

"14. Wipe udder and surrounding parts with a clean, damp cloth immediately before milking. Wash same if necessary.

"15. Milkers must wear clean outer garments; wash hands before milking and milk with dry hands.

"16. Use the hooded or small top milk pail only.

"17. All milk obtained within 15 days before and 5 days after calving and milk which is bloody, stringy, unnatural or dirty, should be given to the hogs, or discarded.

"18. Take milk from each cow immediately to milk house. Strain at once through sterilized cotton flannel or cotton. Then cool at once to 55°F. or lower and maintain below 55°F. until delivery.

"19. Never mix warm and cooled milk, or night and morning milk. Never let milk freeze.

"20. Persons with contagious disease, or exposed to same, must keep away from cows and milk. Immediately notify this Department and your milk dealer about any contagious

disease on your farm or in the neighborhood."

(Exhibit "B" City of Chicago - Department of Health - Twenty Dairy Requirements, will be found in full in Appendix 9 to this record.)

I might further add to that, Mr. Chairman, that all milk being transported from farm to milk stands must be covered and all milk transported from the farm to the city in cans must be in insulated covered trucks.

There are many details that do not appear in Exhibit "B" that have grown up out of usage on the part of the inspectors, and I want to say that these rules have been enforced over all of this depression, and during the time the prices have been the lowest in the Chicago Area. And many times the producer was required to build new barns or was required by the Department, during the period of the lowest price and in this depression, to tear out old barns, or the foundations of old barns, where they had great big stone foundations, in order to put in the required amount of square feet per window light per cow, as contained in these twenty rules and the enforcement by inspection going on at the present time, and has been through all this depression, no matter how low the price of milk, whether the price of milk warranted it or not.

I want that to be clear in the record. We are not raising any objection, Mr. Chairman, but merely put that into the record so that there may be a clear understanding of the requirements as to the quality of the milk and the cost of it.

We submit that the mere examination of Exhibit "E" goes without further proof that the cost of production of milk, because of these requirements, as compared with the cost of production of milk in the basic period of 1909-1914, has increased considerably. I repeat somewhat, but I want to make it clear.

THE PRESIDING OFFICER: How much longer will you take?

MR. GUYER: It will take at least another hour.

THE PRESIDING OFFICER: I think we had better adjourn now. We will adjourn to meet at 2 o'clock in the Museum, most appropriate (laughter). It is on Constitution Avenue, and you go in the main door and the guard will tell you where. I emphasize that, so that you won't get mixed up with the Ichthyosaurs.

(Whereupon at 12:30 o'clock p.m. an adjournment was taken to meet in the Auditorium of the National Museum, at 2 o'clock p.m.)

#### AFTER RECESS

The hearing was resumed at the expiration of the recess, at 2 o'clock p.m., in the Auditorium of the National Museum.

(Mr. Green filed for the record affidavits authorizing his representation of the organizations therein named at the hearing.)

(The affidavits referred to, authorizing Joseph E. Green, E. W. Anderson and Norman R. Dietz, as attorneys in fact, will be found as Appendix 10, to this record.)

THE PRESIDING OFFICER: We are ready now to continue, and Mr. Guyer will go on with his testimony. You will remember he was acting under that part of the Regulations which provide for testimony by persons in favor of the proposed marketing agreement to be heard on the question of the advisability of the several provisions of the proposed agreement. Mr. Guyer.

FURTHER TESTIMONY OF DONALD E. GUYER, SECRETARY AND GENERAL MANAGER, PURE MILK ASSOCIATION, CHICAGO, ILLINOIS. (Resumed):

MR. GUYER: Just to refresh the memory, we had previously discussed Exhibit "E" which in substance is the twenty dairy requirements issued by the Chicago Board of Health.

We submit that the mere examination of Exhibit "E" shows without further proof that the cost of production of milk, because of these requirements, as compared with the cost

production of milk in the basic period of 1909-1914, has increased considerably. It is a well established and accepted fact in this production area that this increased cost is at least 50 cents per hundred weight. A careful analysis of these production requirements conducted by our association under my direction fully substantiates an increased production cost of milk of 50 cents per hundred weight as a minimum. So that in arriving at a comparative price to bring the buying power of the farmer up to the 1909-1914 level at least 50 cents per hundred weight must be added to the cost or to that basic level when the buying power of the dairyman supplying the Chicago-Metropolitan Area at the present time is considered.

I would like to digress for just a moment, to state that our understanding of the intent of the Agricultural Adjustment Act is to help to bring about a parity in purchasing power of the farmer at the present time, as compared with his purchasing power in the basic period known as 1909-1914. That is provided for in the Act, so that, in our opinion Mr. Chairman, the question of cost of production is not pertinent at this time in relation to this hearing, but rather figures to substantiate the parity which we wish to bring about ultimately in the prices paid producers in the Chicago Area. That is the intent, as we understand it, of the Act, and this agreement is negotiated under the Act and for the purposes contained in the Act.



The dairymen supplying the Chicago Metropolitan Area first started to organize as far back as 1911. The organization of any consequence began to function until the Milk Producers' Association commenced to operate in 1916 on a full operating basis, as I would put it. This association was a bargaining type using Union tactics in a demand for price with a strike threat always uppermost to enforce its demands. Having secured a relatively good price for milk high production always followed, which operated to break down the price structure and no definite attempt was made to provide for any definite quantity of milk sold or for any definite number of producers and the price had no relationship to the quantity of milk used for the various classes of the dairy business.

I would like to add one more point, and that is that there was no attempt made to control production of a producer in the Chicago Area at that time selling milk under the Milk Producers' Association and through it as a member, and it frequently happened that when the price was good numerous producers would purchase additional cows to take advantage of the increased price, with the inevitable result that increased production ruined the price and the price field.

In 1918 the Milk Producers' Cooperative Marketing Company was formed to take the place of the Milk Producers' Association. The Marketing Company was a pool organization and milk was supposed to be sold to various dealers in classes

according to their requirements, but after about a year of operation and as a result of high production, poor management, the drop in commodity markets following the war and many other causes too numerous to mention, the Marketing Company failed. The Milk Producers' Association then functioned for a time.

The City of Chicago on April 1st, 1926 passed and enforced an ordinance requiring all milk coming into the City of Chicago to be produced by cows known to be free from tuberculosis as determined by the tuberculin test. Up to the time the ordinance went into effect the leaders of the Milk Producers' Association fought this ordinance in every way possible and when the ordinance was enforced the Milk Producers' Association passed out of existence as a bargaining agency representing milk producers, for the very simple reason that they had no milk to sell eligible to the City of Chicago under the ordinance. It is estimated this ordinance, abruptly enforced, cost producers supplying the Chicago Metropolitan Area about \$5,000,000, and added materially to the cost of production at that time.

A few months previous to this, the Pure Milk Association was formed upon the basis of producing milk of the highest quality and meeting all ordinances of any kind to improve the quality of milk. The Pure Milk Association, because of the failure of the "pool" type, or the marketing company type or the type that was represented by the marketing company, and

and plant ownership type, represented by the Marketing Company, made it impossible to organize any but the very simplest form of bargaining agency type of association at that time.

The contract has been modified at two annual meetings of the association since - that is our Pure Milk Association contract - and should be modified again to allow more leeway in the handling and manufacture of surplus milk products.

In order to show the necessity for such an agreement - I am talking about the trade agreement now - and its enforcement in the Chicago Metropolitan Area a brief discussion of price trend since 1929 should be pertinent. In 1929, during the last five months of the year, a gross price of \$1.75 per hundred weight for all milk was obtained. The retail price was 14 cents per quart and other prices in proportion. During that whole year with the aid and under the direction of the arbitrator, Clyde L. King, a committee had been working upon a base and surplus plan to fit the Chicago market. It was decided along in June that the months of September, October and November would be used as the basic months and all producers in this area wanting to supply Chicago and able to meet the Health Department restrictions were invited to become members of the Pure Milk Association with the understanding that their milk would be sold by the Association and with the thorough understanding that the record of production established for the basic months of September, October and

November would fix the amount of milk that could be sold and guaranteed upon a year around basis by the Association at a Class I or basic price.

I would like to amplify that notice to membership. That was given to the membership through our monthly publication, by editorial and by story; at meetings held all over our territory and at repeated meetings, and any one member of the association that was at all interested in his business had ample notice and ample opportunity to discuss the plan before it went into operation and to fortify himself to meet its provisions.

On January 1st, 1930, the price was reduced 8 cents per hundred weight to take care of an 11 per cent excess production of basic quantities. The retail price remained at 14 cents and this quantity of milk was carried by all dealers all through 1930.

I haven't had time to go over this since it was made, but it seems there must be some left out, in order to make the point.

January 1st, 1931, the price was reduced to \$2.31 per hundred weight and the amount of basic sold was reduced to 90% of members' established bases. Reduction in basic sold was to match the drop in sales to consumers. The retail price was reduced to 13 cents per quart.

In 1929 and since that time, owing to the large number of dealers, lack of confidence, and because of the necessary

expense of auditing sales reports, no exact knowledge of the sales of the distributors of fluid milk as defined in the proposed agreement has been available to the Pure Milk Association.

However, in 1929, a careful investigation was made of the amount of milk sold per retail and wholesale wagon in Chicago and it was finally determined and agreed that distributors cooperating with Pure Milk Association would buy 425 pounds of milk per retail wagon and 1,050 pounds of milk per wholesale wagon, plus 10 per cent, to be paid for at Class I or basic price.

I would like to make this point right here; The association records upon which the milk of the members of the Pure Milk Association was sold during the spring and summer of 1929 totaled about 60,000,000 pounds per month. The price was increased to \$2.75 beginning August 1, 1929, and the buyers had agreed to take all the milk offered at that price until January 1st. The basic period for September, October and November following the first of December when the record became available of that production. Now, there were new members added on and the increased production that anybody wanted to make was taken, and when those records were available it showed there was a production of 103,000,000 pounds per month average for September, October and November. In other words, there was an increase from 60,000,000 pounds per month average produced at that time, to 103,000,000 pounds per month at the end of the

December period, as an average for the basic period. So we were immediately confronted as an Association with at least eleven per cent excess basic milk to sell none than the available market. That is determined by 425 times the total retail estimate, plus 1050 times the total wholesale estimate, plus ten per cent.

Since that time adjustments and market trades have been made between the producers and distributors allowing for drops in sales until at the present time the agreement as set up in "Schedule A" calls for each distributor to carry 342 1/2 pounds per retail wagon or truck, and 1,050 pounds per wholesale wagon or truck, plus 10 per cent. The number of wagons for each distributor is the number operated in 1929 or 1930, plus any additional wagons or trucks put on since that time.

Now, the reason we take the number of 1929 and 1930 wagons is because, due to the drop in sales, some were temporarily taken off and the routes consolidated, in order to make more efficient distribution, and to enable, I presume, the distributors to pay the wage scale. But we make no allowance for the wagons taken off, because we have traded upon the basis of the quantity of milk to be carried, and this quantity of milk is extremely important, because the dealer or the buyers who contract with the Pure Milk Association, have contracted to take care of their percentage of the surplus as is set out in the records, not of surplus milk, but of

basic milk, and there is no question of which milk cannot be sold as fluid milk in bottles, or in wholesals, and so on.

January 1, 1932, the price was reduced to \$1.01 per hundred weight and the retail price was reduced to 12 cents per quart. By May 1st, 1932, the retail price was reduced to 11 cents per quart and on June 1st, the price to the producers was reduced 16 cents per hundred weight to \$1.85, the same quantities of basic milk still being carried by distributors.

I have not in this brief attempted to show the method by which these prices were arrived at. I think it should be well understood that the members of the Pure Milk Association, through their officially selected sales committee, met with a similar committee of dealers or buyers representing their individual companies, and together we worked out these prices, and when we could not agree on price, the matter was left to the arbitrator, Dr. Clyde L. King.

During the latter part of 1931 and on through 1932 competitive conditions in the market became acute. Producers, who up to this time had not cared to sell milk in bulk, or meet the requirements of the Health Department, began to solicit Pure Milk Association buyers at cut prices and gradually succeeded in contracting, which threw the Pure Milk Association milk out of a market.

In March, 1932 - and this year a similar quantity - approximately a hundred thousand pounds per day of Associa-

tion milk was off the market - that is represented by the records, and when I say so many pounds is off the market, I am talking of milk of record, and that is a definite quantity that every one knows about and the records show. In March, 1932, approximately a hundred thousand pounds per day of Association milk was off the market and the association's annual meeting in March of that year provided the Adjustment Fund to take care of this milk. New distributors started in the market and purchased milk at cut prices. In most cases they did not employ Union labor and in order to build up trade offered their milk to the consumers at cut prices with the result that from January 1st, 1932 to December 1st, 1932, about one hundred fifty new routes were started in Chicago. These routes did not represent additional sales but rather sales taken over from established distributors who purchased milk from the Pure Milk Association with the result that the market was forced to again lower prices on December 1st to meet this cut price unfair competition.

In this price war the market dropped from 11 cents per quart to 9 cents per quart and the farmers' price was reduced 40 cents per hundred weight, from \$1.85 to \$1.45 per hundred pounds, where it remained until May 15th when the retail price was increased for the first time since 1929 and the producers' price was increased for the first time from \$1.45 to \$1.75 - 90 per cent of the established bases still being paid for by

distributors with the exception of that amount that is on the Adjustment Fund.

An analysis of these figures will show that the margin between what the consumer paid and what the producer received had been decreased greatly since 1929 and now leaves the producer receiving a larger percentage or proportion of the consumers' dollar in the Chicago Metropolitan Area than he has since 1929.

According to our limited knowledge of distributors' sales, which should be clarified by reports of purchases and sales provided for in the proposed agreement, 382½ pounds per wagon or truck, and 1,050 pounds per wholesale wagon or truck, plus 10 per cent, at the present time represents about 15 per cent more milk paid for at the Class I price than is used for fluid sales. Class II, or cream, is therefore made up of approximately 15 per cent of Class I milk, all of Class II and such of Class III as may be used for cream.

As soon as time will permit it is agreed between the Pure Milk Association and contracting distributors that the schedule will be clarified with prices and quantities readjusted upon a proper basis, subject, of course, to the approval of the Secretary of Agriculture. That part of Class I not used as cream is made into butter, cheese or other products or sold to other manufacturers for manufacturing purposes. It is therefore carried at a price based upon butter.

I want to emphasize now that in the early part



...made it clear that the ...  
enter into a marketing agreement with ...  
directors, including manufacturers of dairy products, ...  
period ... into operation ... control production ...  
test ...

The plan, which is explained in Schedule "B" is an integral part of Schedule "A". The basic plan, so-called, is well understood in most milk markets. It is essential to the proper marketing of milk in any milk market and especially in the Chicago Metropolitan Area. The months of September, October and November, known as the basic period, are chosen because they are the months of lowest production in the market. Production records established during these months by individual producers becomes a quantity of record. These records provide the definite quantity of milk which it is safe for the association to contract, on a year-around basis, meeting the requirements of the consumer for a steady supply of every quantity of milk purchased throughout the year.

The basic plan also tends to level off production during the winter and summer when nature brings in more milk than the natural time of production of the cows is at hand. By careful breeding and management, a producer can produce his basic quantity all year around, securing the relatively lower price, therefore, for his efficient production for that class of milk.

The basic plan, better than any other market plan, is itself to control of production. The reason that new plans were not established each Fall since 1929 on an open production basis is that it would have materially increased the supply of milk and would have placed farmers with poor credit at a disadvantage as against farmers with plenty of credit in the purchase of cows which always increase greatly in price during a competitive production basic period.

Though the operation of a rule which requires 70 per cent of established base to be produced during the average of any three consecutive months following the basic period made it hard for producers with an abnormally high base to keep up that production with the result that during the last three years 240,000 pounds of daily base has been dropped by members who could not keep it up and this forfeited base has been reallocated to members who could. This has been a controlled method of readjustment which did not make for increased production at a time when sales were continually decreasing.

I want to restate that just a little bit more. At a time when the production of basic quantities by individual members was open and without restriction, the members with plenty of money could buy a great number of cows and attempt to produce a high or abnormally basic quantity, which was then made of record, and the rest of the year he might let his production drop off, so that outside the basic production

period he might have an extremely low supply and if all of the producers followed the same tactics, we would have the required production during the basic period, and almost no production during some other period.

Now, in order to penalize the member who took unfair advantage of that open production period, the 70 per cent rule was adopted for two or three years. That is the 80 per cent rule at the present time; and is in the agreement as a 70 per cent rule. That means that, if a man has one hundred pounds of base of record, that in the three months following the basic period he must produce an average of 70 per cent of the amount of record that is being sold at the Class I or basic price. Therefore, if 90 per cent is for sale, he would have to produce 70 per cent of 90 pounds, or 63 pounds, as against an established base of 100 pounds, in order to retain his one hundred pounds base. Due to the operation of that rule, 240,000 pounds, approximately, have been taken away from the man who produced an abnormally high base and given or re-allotted back to the producers where it originally was made, in the same locality, or the same loading point, or at the same plant, and given to them and added to their base of record, because they were entitled to it on the correct base.

Now, that has not entirely taken care of the readjustment, but it should be clear that it is a method that has been very effective in making readjustments.

... of the ... was placed there ...  
 ... of protecting the minority members' of our association;  
 ... and certainly should be construed as an attempt to be ...  
 ... than fair to a minority group.

The failure of members to avail themselves of this  
 privilege of recalculation of base, and the further fact that  
 at no annual election of directors has there been the  
 slightest agitation against this plan as a plan, we submit  
 conclusively proves that the large majority of the member-  
 ship was well satisfied with the basic plan and its opera-  
 tion as directed by the board of directors of the ...  
 Association. At a meeting attended by three hundred and  
 credited representatives of the entire membership, in 1931,  
 in which a vote was taken upon the question of whether the  
 basic-surplus plan was satisfactory to the members, ...  
 was only one dissenting vote in the entire gathering, ...  
 again proves that the basic plan was popular; and was not  
 only popular, but had no dissent in the opinion of the  
 membership of the Pure Milk Association. That is all I am  
 able to offer on the basic plan.

It is certainly unfair competition when buyers contract  
 with producers on a flat price basis, accepting the milk  
 from only a sufficient number of producers to supply the  
 needs of their business for bottled and wholesale milk only,  
 taking on producers or dropping them off, as business in-

creases or decreases, buying cream on the open market. Such  
 buyers take no responsibility for the surplus in the market,  
 nor for an adequate certain and continuous supply of pure and  
 wholesome milk to the public. Producers who ...  
 usually accept a price equal to or less than the average price  
 paid members of the Pure Milk Association for all three classes  
 of milk. In recent months the price paid these producers on a  
 flat price basis was even below the average price received by  
 Pure Milk Association members and distributors purchasing such  
 milk have gained as much as a cent a quart advantage over  
 those distributors who are paying the Class I price for an amount  
 15 per cent or approximately 15% greater than the amount that  
 can be used as fluid milk. Therefore, it is imperative that  
 all producers sell on the same plan and at the same price  
 in order that there be no discriminatory advantage to any group  
 of producers or any advantage to any distributors.

As was pointed out previously, Pure Milk Association  
 services require deductions from members' milk checks ...  
 to as much as 8 cents per hundred weight. To obviate dis-  
 crimination and advantage to non-member producers, associations  
 or groups or to distributors not buying from the Pure Milk  
 Association, it is necessary that an amount equal to deductions  
 made by the Pure Milk Association be deducted from milk ...  
 of producers not members of the Pure Milk Association and that  
 the money be paid to Milk Foundation, Incorporated, to be  
 held in trust and to be expended at the direction of the

Secretary of Agriculture so that the educational and sales  
 promotion work accomplished by the Foundation be borne equally  
 by all and that producers not members of the Pure Milk Asso-  
 ciation may be accorded somewhat the same services under the  
 direction of the Secretary of Agriculture as are provided by  
 the Pure Milk Association for its members. The advertis-  
 ing and educational work provided by the Milk Foundation benefits  
 all distributors and all producers alike. There is no dis-  
 crimination of any kind from this service.

Since 1929 Dr. Clyde L. King has been retained jointly  
 by the Pure Milk Association and contracting dealers as an  
 arbitrator to settle disputes as to prices, policies, and  
 other matters that might be of controversy between the Pure  
 Milk Association on one side and the contracting distributors  
 on the other.

The prices contained in Schedule "A" were ...  
 arbitration by Dr. Clyde L. King, who on May 10th, 1933, not-  
 ing in his capacity as arbitrator, made a careful analysis  
 of all of the facts affecting this market. The interest of  
 the producer, distributor and the consuming public were con-  
 sidered, and finally the prices contained in Schedule "A" were  
 fixed, to take effect May 15, 1933. This schedule of prices  
 has been in effect since May 15, and all distributors, pro-  
 cessors and handlers of milk purchasing through the Pure Milk

I want to make this further comment at this time: The price range in Schedule "A" if this agreement will go into effect, are not effective for more than thirty days at the discretion of either side, because the performance of the contract, as I understand it, may be terminated at the proper time and with the proper procedure. So that, \$1.75 per hundred weight, as set out in Schedule "A", in no sense represents a parity of purchasing power, nor what we would consider a fair price for our membership, but, considering all the factors involved at the present time, the purchasing power of the consumer, the trend of competition, the steady and adequate supply of milk, the cost of production, and other factors, we believe that at the present time the \$1.75 price is sufficient until conditions warrant a change. And we want to warn the Secretary, before he becomes a party to agreement, that when and if, in our opinion, prices should be changed, we expect to petition for a change, until the parity provided for in the Act has been reached.

We now consider whether producer prices in Schedule "A" equals or exceeds the price that must be paid in the Chicago Metropolitan Area to place the purchasing power of the dairy farmers supplying that market on a parity with the purchasing power of the same or a smaller group during the 1910 to 1914 period.

According to the reports of the Department of Agriculture, Division of Statistical and Historical Research, if one

hundred represents the price of all commodities used for family maintenance and the price of all commodities used in production, also farm labor and interest and allowing for an increase of 100% in taxes, then the same items and commodities in 1933 would be represented by an index number of 115.84.

Now, those figures are based on the last available information, which covers the price of March, 1933 before the commodity price level started to rise. I am sorry that we are not able to furnish the figures for the record, but, as far as I know, we have been unable to get an up-to-date price record of those commodities.

The average of milk in 1909-1914 period was \$1.00 per hundred weight, f.o.b. country plants and platforms for all milk. The net weighted average price of the three classes of milk as contained in Schedule "A" will be approximately \$1.54. The price necessary to bring about the declared policy of the Act, based upon the above ratio of price, would be a net weighted average of all milk of \$1.75 per hundred weight, f.o.b. country plants and platforms. We have previously testified that there should be added to this figure however, a minimum of 50 cents per hundred weight because of the increased costs of production due to the rigid requirements contained in Exhibit "A", because of the indebtedness incurred and the loss sustained due to the \$8,000,000 cost to the farmers of submitting abruptly to the tuberculin test. This brings the net weighted average price of all milk sold to \$2.24 per hundred weight necessary

to bring about a parity price and carry out the declared policy of the Act.

The last figures available to use and upon which this computation is made are the March, 1933 prices of commodities purchased. Since that time it is a well known fact that commodity prices have advanced materially requiring a further increase in production price to balance the proportion and restore the parity required by law. The prices contained in Schedule "A" of the proposed agreement were well below prices necessary to carry out the declared policy of the Act and it is and should be the intention of the parties to this agreement, subject always to the approval of the Secretary, to increase such prices as contained in Schedule "A" as soon as market conditions will warrant.

Prices paid to the main body of producers in the Chicago Metropolitan area depend upon conditions, trade practices, methods of competition and selling prices practiced and by competitive distributors, upon whom the farmer processes, distribute, and sell his milk to the consumer. Unfair competitive conditions and trade practices and prices even though confined to 10 per cent of the distribution tend to affect prices paid all producers and prevent the carrying out of the declared policy of the Agricultural Adjustment Act.

The methods of distribution which are now practiced on the Chicago market which are against the public interest in



our opinion, and tend to break down proper marketing conditions that would make possible unit prices to farmers in accordance with the declared policy of the Agricultural Marketing Act, are in part as follows:

(1) Broker.

The broker has little, if any, investment; is interested only in a commission and his policy, in most cases, is to sell as cheaply and quickly as possible, depending almost entirely on volume for his profits. If he can locate a distressed supply of milk or cream that temporarily has no market his tactics are to offer this product at a price below the market, oftentimes, in order to entice buyers to absorb it. Oftentimes Association milk selling at the agreed price is dropped by buyers to take on cheaper milk thus offered. Again this distributor may pass on a part of the saving to the consumer - having principally in mind, as a consumer, in this instance, the large wholesale buyer of milk - in an attempt to take business away from his competitor. The competitor is forced to cut the price to meet this unfair competition and a general lowering of prices is effected all around, which eventually results in lower prices to all producers. This same broker often goes direct to the wholesale trade. This has been the case in recent months time after time.

I submit again that in cases such as this a

market such as this, where the large wholesale buyer is involved, he usually resells his milk to the consumer, and sells it in quarts or pints, or to the restaurants, and so on. This type of dealing with the wholesale trade is reflected in the change in the class of milk supplied and available to the consumer, and we submit that that is indeed an unfair practice.

The broker - I am speaking now particularly of the broker who sells directly to the trade and to the large wholesale buyer directly - maintains no expensive equipment to pasteurize milk and cream within the city proper, but may purchase pasteurized milk or cream processed in the country, deliver it from the truck or by truck from the railroad car direct to the customer, thus saving all the expensive city processing costs, which are conceded to be necessary for the benefit of the public health and in the public interest. Brokers selling to wholesale or retail customers or to processors, distributors or handlers of milk for sale in the Chicago Metropolitan area should conform in all respects to the plan and price schedules contained in Exhibit "A" and Exhibits "B" and "C" of the agreement, if the operation of this contract is to be successful; and by being successful I mean to carry out the declared policy of the Act to bring about a parity in the buying power of the farmer, which is the design of the Act.

(2) Operators of Privately Owned Receiving Stations:

Privately owned country receiving stations selling milk or cream to distributors, processors or handlers of milk for re-sale in the Chicago Metropolitan Area should buy at prices contained in Schedule "A" and conform to the plan contained in Schedule "B" of the Agreement. In other words, the distributor, processor or handler who purchases milk from farmers through a country receiving station, privately owned, should pay sufficient price and carry sufficient quantity of milk to enable the country receiving station operator to pay the producer supplying that country receiving station the same net price and upon the same plan set up in Exhibit "A" and Exhibit "B" of the Agreement.

(3) Processors:

Processors who purchase their milk through the Chicago Association direct from farmers or through country receiving stations, and who re-sell their bottled milk to the so-called peddler who owns his own route and re-sells from his route at wholesale or retail, should carry the same quantity per bottle and pay the same net price, and buy upon the same plan, and should pay sufficient price to the privately owned country receiving station or broker, so that the prices set forth in Schedule "A" and plan in Schedule "B" of the agreement can be carried out by the country receiving station operator.

The peddler should conform to all prices set forth in Schedule "C" of the price and trade agreement. In recent

months the peddler who depends upon his wage for the price for which he sells, has been willing to take a very small margin of profit, which, in effect, is a daily wage, and in some cases it has been as low as \$1.50 to \$2.00 per day, depending upon the amount of milk sold by the peddler, as opposed to the distributor who pays a Union wage scale, which is approximately \$7 per day for six days of service. The peddler has been directly responsible for cut prices and unfair trade practices, resulting in competitive conditions which have necessitated lower prices to farmers, and unless these competitive conditions are corrected under this agreement these peddlers will continue to defeat the declared policy of the Agricultural Adjustment Act, peddlers should conform in all respects to Schedule "C" of the proposed agreement.

#### (4) Wayside Stands:

Wayside stands, as we term it, is a truck or a store or a shed or any means of sheltering the containers, where milk is sold from the place of business in any way, whether it is dipped out of the can, whether pasteurized or raw, as how it is handled ordinarily at wayside stands. They are outside of the city limits of Chicago, most of them dragging the city limits as close as they can get without actually crossing over the line.

Outside the city limits, where local Health Department regulations have no jurisdiction, what is known as the "wayside stand" has sprung up. This may be an elaborate store or merely a shack. Raw or pasteurized fluid milk is purchased direct from producers, or from processing plants, or country receiving stations, and is re-sold in bulk in the container provided by the consumer. No rigid inspection of production, distribution, or handling of this milk is provided or required. No expensive bottles or other containers, except those furnished by the customer, are necessary. These stands are so placed that customers within a market strictly regulated by the Board of Health, enforcing proper ordinances in the public welfare, notice the customer from within each restricted market by ridiculously low prices.

Milk borne contagious diseases are not only possible, but probable. These wayside stands are not only a menace to the public health and the public welfare, in our opinion, but are a vicious means of competition, and in order to effectuate the declared policy of the Farm Adjustment Act, should be required to conform in all respects to the proposed trade agreement for the Chicago Metropolitan Area.

I have previously testified in this statement that there are several forms of discrimination in the production and sale of fluid milk for the Chicago Metropolitan Area with their methods of cutting prices and unfair trade practices among processors, dealers and distributors in opposition to the

regular trade, include only about 10 per cent of the fluid milk sold in this area. I am well acquainted with these conditions and the personnel involved. They are exceedingly vocal and ingenious in the invention of new forms of unfair practices which will disturb orderly production and marketing of milk. In most instances they have nothing to lose, everything to gain by whatever method they adopt while in other instances they seem to be well financed but lack experience and without appreciation of any fair methods of competition or trade practices.

The activities of these individuals, who have succeeded in serving this 10 per cent of the trade in Chicago Metropolitan Area have seriously disturbed prices to milk producers during the last two years. I have heretofore testified that this situation became so serious several months ago that the producer price was lowered some 40 cents per hundred weight.

I might say, Mr. Chairman, right there, that 40 cents per hundred weight means approximately \$70,000 per week to the members of the Pure Milk Association, in order that a little better appreciation of the amount of money involved by these price drops may be had, and this cut necessarily out of the net profit may better be appreciated.

These discriminations and unfair practices form an even more imminent danger since the rise of prices to producers, effective May 15 last. It was, because of the imminence of

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this danger that the Pure Milk Association representing some 85 per cent of the milk produced for the Chicago area and the contracting distributors representing practically an equal amount of the distribution, hastened to take advantage of the provisions of the Farm Adjustment Act. It was the influence and the peril of these disturbing influences in the milk market of the Chicago Metropolitan Area that caused the Pure Milk Association and the contracting distributors to urge upon the Secretary of Agriculture a hearing upon the terms of this contract at the earliest possible moment. These conditions exist today with the same or possibly greater force than they have ever existed in this area. The declared policy of the Farm Adjustment Act can never be realized for the producer of milk in the Chicago Metropolitan Area unless and until the licensing provisions of the Act are made effective to the end that all producers, distributors, processors or handlers of milk for sale or consumption in the Chicago area are required to be licensed and to conduct their business without discrimination and according to those standards of trade practice and competition approved by the Secretary of Agriculture. Without the restraint of the license feature of the Farm Adjustment Act, this contract is utterly fail of its purpose. Pure Milk Association respectfully but most earnestly requests and petitions the Secretary of Agriculture that the approval of this contract be made concurrently effective with the license provisions of the Agricultural Adjustment Act in the Chicago Metropolitan Area.

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In conclusion, Mr. Chairman, I have tried to be absolutely fair in all respects. The Pure Milk Association has a large market area, and asks no advantages under this trade agreement at all, but only identically the same chance and the same opportunity to sell in open competition in the open market as all other producers are given under this Act. We believe that that service should be apparent to the Secretary.

Thank you very kindly.

THE PRESIDING OFFICER: Are there any others who wish to speak from this point of view.

TESTIMONY OF M. J. METZGER, SA  
DAIRY COMPANY, CHICAGO.

[The witness was duly sworn by the Presiding Officer.]

MR. METZGER: My name is M. J. Metzger; my business address is 140 West Ontario Street, Chicago, Illinois. I am Secretary of the Bowman Dairy Company, a corporation of Illinois engaged in the purchase of milk from producers, the processing of the same and the distribution of the milk and other dairy products.

Bowman Dairy Company is a corporation organized under the laws of the State of Illinois in the year 1931. Its authorized capital stock is \$10,000,000 divided into 100,000 shares of \$100 each. Approximately \$6,250,000 of the stock has been paid for and is outstanding.

I have been engaged in the milk business in the City of Chicago for forty years. I have seen the development of the distribution of milk from the days when the housewife

pitcher was filled by dipping from a can, to the present highly developed system of distribution. It has been by careful, conscientious service to the public that the Bowman Dairy Company has developed so that where approximately seven wagons were used by it in the distribution of milk in its early history, about two thousand are now required to make the distribution of milk in Chicago and the Metropolitan Area.

The retail business of the company extends from Evanston, Illinois, on the north, to Hammond, Indiana, on the south, from the eastern boundary of the City of Chicago to the Fox River upon the west. A head office is maintained at 140 West Ontario Street in the City of Chicago. It has three branch sales offices on the north side of the City of Chicago and one in Evanston, one in Highland Park, one in River Forest, one in the north west section of the City of Chicago called Irving Park, one in the west division and four on the south side of Chicago. In addition, it maintains a distributing plant at Lombard, a suburb of Chicago about twenty miles due west of the center of Chicago. At five points in the City of Chicago and its immediate suburbs it has large modern bottling plants where the raw milk is received, pasteurized and bottled. These pasteurization plants are conveniently located to transportation and so placed that the milk when bottled for the consumer can be economically distributed to the sales stations referred to.

Prior to about the year 1920 the company maintained



1.  
bottling plants for the bottling of its milk in the country. At these plants the milk was received, cooled, pasteurized and bottled, the bottles placed in cases, loaded and shipped by rail to the various distribution points in the city and its suburbs. Among the reasons for the abandonment of this method of handling the milk were the following:

(a) It was found that the freight upon the bottled product was much higher than when milk was shipped in bulk as is generally done, by express in glass lined tanks, or in glass lined milk trucks— that is, glass lined tank cars or it should be glass lined tanks on trucks.

(b) In many instances the supply of milk surrounding the bottling plants became utterly inadequate in about the year 1926.

This shortage of supply was brought about by the existing situation in the City of Chicago:

The distributors of milk were notified by the Health Department of the City of Chicago that after April 1, 1927, no milk could be distributed in that city unless the milk was produced by cows tuberculin tested under Federal and State supervision. The early tests of herds made by the Department of Agriculture of the United States resulted in the destruction of a large proportion of the cows in the herds so tested. As a result, a large majority of the dairymen in Madison, Kane and adjacent counties in the State of Illinois declined to have their herds tested. Legal proceedings were instituted

by some of the dairymen to enjoin the enforcement of this ruling of the Health Department of Chicago. This was unsuccessful. The result was that the Bowman Dairy Company was obliged to abandon a number of its collecting plants and bottling plants in territories where the dairymen refused to submit to the so-called tuberculin test, and secure a supply of milk from neighboring states. The result to the company of this situation was that it sustained a loss of value of plant properties at least a half million dollars. As well as the other large dairy companies in the City of Chicago, was obliged to go as far out as 250 or 300 miles from the City of Chicago in order to obtain a supply of milk which met the requirements of the Department of Health of the City of Chicago. The company, as the result of the change which I have related with reference to the source of supply of milk was obliged to and did invest approximately one-quarter million dollars in a plant at Marathon, Wisconsin, where a large supply of tuberculin tested milk was available, and has acquired plants at Oconto and Nichols, Wisconsin, these points being from 200 to 250 miles distant from the City of Chicago. At these points the Bowman Dairy Company purchases the milk produced by its former patrons throughout the year, paying in excess of the price obtainable at local markets, in order to have a reserve for the supply of its needs during the so-called short season between September and November in each year. The former patrons at these points were, during last

year, paid more than \$77,000 by this company in excess of the price at their local markets. I believe that mention of this situation is justified as some means of preserving the market, for the former patrons at these points should have consideration by the Secretary of Agriculture.

We have recently been advised by the Board of Health of the City of Chicago that inspection of farms beyond the mile zone from the City Hall in the City of Chicago would be discontinued after June 30, 1933, and that milk and its products beyond that zone would not be permitted to be shipped to the City of Chicago after that date. If this ruling is enforced, not alone will this company suffer a loss which I estimate to be about \$250,000, but other companies will be likewise affected, and the dairymen in those sections will be deprived of a market for their product which they have enjoyed for the past seven years.

To put it another way: The milk distributors of the City of Chicago will be obliged to abandon a supply point which rendered it possible during the three or four years immediately preceding to live to maintain all company with the milk business. There have always been set by the Health Department of the City of Chicago with reference to its fresh milk supply, and those dairymen who during that period refused to comply with the health ordinances of the city, but have since seen the light, will take from these dairymen in that district the market which has been supplied by the latter since about the year 1926.

Before I go on to distribution, I would just like to state at this point, that our company purchased for the year 1933 from the members of the Pure Milk Association - we paid 1 milk purchased from the members of the Pure Milk Association \$7,511,400. Now, we paid \$728,200 for milk at these above mentioned.

I would like to explain that the milk from these we call them butter and cream plants - this milk is bought the purpose of taking care of any need during the short production periods. This is not sold in Chicago as fluid milk, although it has the quality and it is under the same supervision of the Health Department and subject to the same rules and regulations as to quality and production as that in our own District.

On the other hand, there are days in September, October or November, as the case may be - especially it comes after school opens in September, when the so-called "vacation season" ends, and Chicago people are pretty well home - it happens to be at the same time that production is the lowest. There are many days during that time that it takes all of the milk from the members of the Pure Milk Association that we can purchase from the members of the Pure Milk Association and the these plants to take care of the daily needs.

Then, on a hot day in the fall, when the the cows, especially, the production may fall 5 per cent in a day. If we have two or three

of that kind, as well as 5 per cent the resulting, and that particular kind of weather is to heavier orders and heavier sales. So, it is if we have had just enough milk to take care of their from the regular sources on a normal day, or a day of normal temperature and normal weather, then we would need to have additional 15 to 30 per cent to fill the orders at a time like this. That is why carry plants of this kind.

I might say also that this same condition is an aid to the members of the Pure Milk Association. It enables them to go along and sell their milk probably ten or eleven or eleven and a half months in the year without carrying such large surpluses. If the dealers who bought the milk had a membership sufficiently large to take care of all the dealers in Chicago and environs at a time like this, they would have to have a large surplus, such a large surplus as they would need to get their average price.

As to distribution, I think I am conservative in saying that 90% of all the milk retailed in the City of Chicago is distributed by distributors who bottle the milk, maintain their own distributing systems, and are in personal contact with the consuming public. This was almost a universal prior to the beginning of the depression. The milk wagon drivers, or salesman, employed by the distributors in the of Chicago are members of the Milk Wagon Drivers Union affiliated with the American Federation of Labor. This is true in the

case of practically all of the companies who maintain their own distributing systems.

Since the year 1929 the consumption of fluid milk in the Chicago Metropolitan Area has decreased from 10% to 15%. The price of milk, in order to meet this situation, has been reduced from 14¢ in 1929 to 13¢, to 12¢, to 11¢, to 9¢, and upon the 15th of May, 1933 was advanced to 10¢ per quart. Notwithstanding these reductions, less milk is being consumed in that area than four years ago. The result has been that the distributors have been obliged to lay off salesman and consolidate their routes. The company probably has at least 10% less routes than it had three years ago, and a smaller average of sales from each of its wagons or trucks than was the case at the beginning of the period of depression. In this connection I call attention to the fact that the number of deliveries has not decreased in proportion to the total decrease in milk consumption; the consuming public may make the same number of purchases, but a family formerly consuming two quarts now purchases one - and the cost of distribution per quart is thus increased.

The result of the necessary reduction in the number of salesman employed by the distributors has been the growth of a system whereby the processor, who is not also a distributor of milk, sells his milk to a former salesman who has obtained possession of a truck or horse and wagon and who in turn dis-

tributes this milk to the trade formerly enjoyed by the processor-distributor operating in a similar manner to the company which I represent. For the purpose of this statement I shall call the party so operating a truck or wagon a "peddler". The peddler pays to the processor a price figured upon the cost of the milk in the country, the cost of its transportation and processing and bottling. He uses upon his wagon or truck the name of the processor who is not also a distributor of milk. The peddler is an independent merchant. He frequently retails his milk at from 1¢ to 2¢ under the market. His earnings are said to average from \$10.00 to \$20.00 a week as against a base wage scale paid by the processor-distributor to its salesman or \$40.00 per week. The result has been disastrous to the milk industry. If, as a result of lessened deliveries, a processor-distributor lays off a salesman, that salesman is very apt to become a peddler, working for a small return and selling his milk at a price which cannot be met by the processor-distributor who pays the fluid milk price to the farmer and meets the scale of wages demanded by union labor. If, as the result of the operation of the peddler, another salesman is laid off, the vicious circle continues and further loss in trade is encountered by the processor-distributor.

As everybody knows who is familiar with the milk industry, retail and wholesale sales of fluid milk are conducted upon a very close margin of profit even in the most prosperous

times. In this time of depression the processor-distributor who has met the demands of the farmer, of the laborer, and the consuming public, has marketed his fluid milk at an actual loss during the year 1932 and that part of 1933 which has now passed.

We are also confronted by another unfortunate situation in the Chicago Metropolitan Area. Dairymen, and others have established so-called milk stands at many points just outside of the corporate limits of Chicago and other municipalities in this area. The old dip system has been resorted to upon these stands. In many cases, I am advised, the milk is not from inspected herds. Most of this milk is not pasteurized. It is sold as low as 25¢ a gallon. The householder who maintains a flivver will drive out to these stands with a quart or gallon container, purchase the milk at these ruinous prices and take his chances upon the health of himself and his family who consume the milk. I am not advised as to the number of stands so maintained around the limits of the City of Chicago but am sure that it runs into the hundreds and I do know that it has seriously interfered with the trade of the legitimate processor-distributor.

I shall not read to this body all of the figures with reference to the cost of distribution of milk. I have, however, attached to this statement a summary of the cost of milk and the cost of its processing and distribution which shows the result of the operations of our company for the

years of 1931, 1932 and three months of the current year. This statement I have marked Exhibit "A".

Supplemental to Exhibit "A" and as explanatory of many of the items of cost, I have attached a memorandum which I have marked Exhibit "A-1" which explains the various items of expense going into the cost of laying the bottle of milk upon the customer's doorstep.

Exhibit "A" is a copy of the figures furnished to our Board of Directors by our accounting department for the information of the individual members of the Board, and these are furnished monthly.

As Exhibit "B" I attach a statement of the average cost to our company of quarts of milk, including both retail and wholesale milk sold in bottles or in bulk during the month of April, 1933.

As Exhibit "C" I attach a comparative statement from the year 1908 to May 15, 1933 showing salesman's wages, price paid per hundred weight by our company to producers of milk, and the retail price of milk sold in the quart bottle in the Chicago Metropolitan Area.

Exhibit "D" is a comparison of the prices per hundred weight of milk paid by our company to dairymen and the selling price of quarts of milk for the years from 1929 to 1932 inclusive.

I call attention of the Secretary to the fact that during



the year 1931 the profit of this company from the sale of quarts of milk in the Chicago Metropolitan Area for that year was \$.00184 per quart; that the loss on each quart of milk detailed by the company during the year 1932 was \$.005906 per quart; that during the month of January, 1933, the loss was \$.006243 per quart of milk, and during the month of April, 1933, the loss was \$.006063 per quart of milk, and this notwithstanding the fact that through economies introduced by this company and through reduced cost of labor cost of collection, processing and distributing of milk has been very materially reduced.

THE PRESIDING OFFICER: Mr. Metzger, I regret very much to interfere -

MR. METZGER: I am just about through.

THE PRESIDING OFFICER: I think you are trespassing. You are hardly speaking to the question. We are supposed to be discussing the advisability of these several provisions of this agreement. What you have said is very interesting, but unless you are nearly through -

MR. METZGER: I am very nearly through. I will be discussing -

THE PRESIDING OFFICER: The thing we are discussing now is the advisability of the particular parts of this agreement, and you have not touched upon that except very indirectly.

MR. METZGER: Yes; I was trying to bring out the conditions, and I think they will have a bearing.

THE PRESIDING OFFICER: I regret that you did not speak at the beginning. I think what you have said is more fitting to come at the beginning at in favor of or supporting the general idea of the agreement; but now, we ought to go into the specific matters.

MR. METZGER: It is very short, and I would like to state just this much more, if I may:

The above presents an apparently gloomy picture; but it is the hope of our company that with the return of prosperity, the increased consumption of milk which will result therefrom and consequent economies in the distribution thereof, a reasonable profit may be obtained by the company.

THE PRESIDING OFFICER: That does not get into it.

MR. METZGER: I will try and get right to that.

MR. HART: I suggest, Mr. Metzger, if you will begin at the middle of page eleven of your statement -

MR. METZGER: Yes; I will cut out the other references to our system.

It is my belief that this language of our honored President - how about on page 10, at the top of page 10, or the bottom of page 10.

MR. HART: I think it would be better.

MR. METZGER: I believe that the time has come for this Department to set in accordance with the words of President Roosevelt in his radio address to the people of this country on May 7, 1933. I quote:

"Unfair 10% could produce goods so cheaply that the fair 30% would be compelled to meet the unfair conditions. Here is where government comes in. Government ought to have the right and will have the right, after surveying and planning for an industry, to prevent, with the assistance of the overwhelming majority of that industry unfair practice and to enforce this agreement by the authority of government."

"The same principle applies to farm products and to transportation and every other field of organized private industry."

"We are moving toward a definite goal which is to prevent the return of conditions which came very close to destroying what we call modern civilization."

It is my belief that this language of our honored President is clearly applicable to the milk distribution system in the Chicago Metropolitan Area. Upwards of 90% of the distributors in that area are trying to render a service to the consuming public and to the dairyman, to comply with all health regulations, and to earn a fair return for their capital and labor. Less than 10% are destroying their ability so to do.

May I say, upon behalf of the company which I represent -

(a) That we believe that during the present period of depression at least a limited control by the Government of the milk industry in the Chicago Metropolitan Area is essential.

(b) That substantially the agreement as presented at



this meeting should be entered into. We suggest, however, that the paragraph upon page 1 of said agreement defining "co-franchising distributors" should be changed to read substantially as follows:

THE PRESIDING OFFICER: Mr. Metzger, that will come at a different place. That is after we have considered those who are opposed. Any proposal for changes will come at the end, and will you reserve that to come in at the end?

MR. METZGER: I would just like to say, on behalf of my associates and myself, that I extend to the Secretary of Agriculture and his associates our thanks for the courtesy which has been shown to us on this and a previous occasion.

THE PRESIDING OFFICER: Is there any one else who wants to discuss this particular point now, as in favor in part of the agreement; that is in order now, and nothing else.

MR. SINGLER: There is no asking any questions of the witness who last testified as to a couple of important points.

THE PRESIDING OFFICER: His paper was so far afield from what we are discussing now -

MR. SINGLER: Just one question.

THE PRESIDING OFFICER: State the question.

MR. SINGLER: How many of the - how many different distributors in Chicago are competing with each other, and are practically the same organization, by subsidiary, or affiliation?

THE PRESIDING OFFICER: What has that got to do with any

particular part of this agreement? How could this question bring out any of the facts that we are discussing now?

MR. SINGLER: Well, --

THE PRESIDING OFFICER: Unfortunately, he made statements that you might take exception to, but I don't think he should have made those statements.

MR. SINGLER: I don't take exception to the importance of the agreement, but if he has competition under different names, why not combine the agreement. Instead of so many agreements with the same people actually who are in competition.

THE PRESIDING OFFICER: If this is to be gotten through, there is to be only one agreement of this group with the consumer.

MR. SINGLER: I see. So, it makes no difference how much milk this organization may buy from the Pure Milk Association or the Bayman Dairies.

THE PRESIDING OFFICER: I do not think that is pertinent.

MR. SINGLER: All right; thank you.

THE PRESIDING OFFICER: I don't think he ought to have said anything about that at this part of the hearing.

MR. SINGLER: All right.

THE PRESIDING OFFICER: If it was pertinent -

MR. SINGLER: I am perfectly satisfied.

THE PRESIDING OFFICER: Very well.

MR. DONOVAN: May I suggest, along the line of the statement of Mr. Metzger, that Dr. Walmley had prepared a statement showing the conditions of his own company, without particular relation to this contract, and the same objection that you made to the statement of Mr. Metzger could be made to this statement. However, I do have some exhibits which I think would be of value, not only to the committee, but to others who might like to look at them in connection with the discussion of the contract.

One is a map of the 35-mile area provided in the contract, which we would like to give to you.

THE PRESIDING OFFICER: I would like to say this in explanation: I realize that the notice was very short, and lots of people got no notice. I don't think the regulations say just what I must do, and I have to assume a little discretion. It may have been misunderstood here, but I do wish wherever a question is asked that it be in point. We want to get pertinent evidence.

MR. DONOVAN: May we offer as an exhibit a map of this territory?

THE PRESIDING OFFICER: What will I do with it?

MR. DONOVAN: That is your problem. That ought to be hung up. (Handing map to the Presiding Officer.)

I would also like to submit for the information of the

committee a map showing the Borden's Farm Products'.

THE PRESIDING OFFICER: This has nothing to do with what we are discussing, but it is very valuable information.

MR. HART: We may say that it is difficult for us to understand the rule that has been laid down, but we have had only two days in which to prepare.

MR. DOHOVANY: May I proceed? We should like to file, as Borden's Farm Products' Exhibit "A", and exhibit showing the plan of operation in the production, sale and distribution of food products; and another exhibit to be designated as Exhibit "B", showing the trend of the average price paid per one hundred pounds of milk to the producer, and the selling price, the retail selling price per quart of milk, during the years 1928 to 1932, both inclusive; together with the map which we have already submitted.

(Exhibit "A", Plan of Operation of Borden's Farm Products Company, of Illinois, will be found complete in Appendix 12 to this record.)

(Exhibit "B", Chart of Average prices paid per one hundred lbs. of milk, and retail selling price per quart of milk, 1928-1932, will be found in Appendix 13 to this record.)

(The map of the Chicago Area referred to, is on file with the Hearing Clerk, only one copy thereof being furnished.)

MR. HART: I desire to offer in triplicate, the statement a part of which was read by Mr. Metzger, and four exhibits referred to therein.

(The statement of Mr. Metzger referred to, with exhibits, will be found complete in Appendix 11 to this record.)

THE PRESIDING OFFICER: Now, is there any one else who wants to speak?

MR. FITCHIN: May I have a moment?

THE PRESIDING OFFICER: (after a pause); What are you going to do with the moment when you get it? Do you want to read a statement?

MR. FITCHIN: Yes.

THE PRESIDING OFFICER: Do you want to testify?

MR. FITCHIN: If I may.

TESTIMONY OF ROBERT G. FITCHIN, PRESIDENT, MILK WAGON DRIVERS' UNION, LOCAL NO. 753, Illinois.

(The witness was duly sworn by the Presiding Officer.)

MR. FITCHIN: My name is R. G. Fitchin, office at No. 220 South Ashland Boulevard, Chicago, Ill., and am President of Milk Wagon Drivers' Union, Local #753, consisting of 7,200 members, and am representing that organization at this conference. While we are not directly interested in what the price of milk should be from the producer to the farmer, we are interested in stabilization of the industry so our wages may

be stabilized.

We have had contractual relations with the distributors of milk in Chicago and surrounding area for more than twenty-five years almost uninterrupted. We find that since the depression set in it has brought about a condition in the business as a result of unscrupulous dealers. It has made it quite difficult to reach a stabilized agreement and condition.

Within the last year and a half we have taken two substantial decreases in pay as a result of that minority who have come into the business in Chicago selling milk at lower prices. As a matter of fact in one instance making the price one cent below the regular priced milk of other dealers resulting in a decrease in wages and conditions in the industry.

We believe that a stabilized price should govern the sale of such commodities as milk. We also believe that no good results can be obtained through price cutting in this business. It not only means a reduction in pay for employees, but it also means that in many instances the unscrupulous dealer is unable to pay the farmer for his product, and in many cases sells a product far below the standard required by the City Health Department. We are interested in the health of the Public as well as from a standpoint of a wage earner. We believe that the Public should get the very best product that can be sold under the strict ordinances such as required by the City of Chicago, and surrounding area, for usually the